UNITED STATES POSTAL SERVICE

ANNUAL PERFORMANCE PLAN

Fiscal Year
2000

UNITED STATES POSTAL SERVICE®

We Deliver For You.

WILLIAM J. HENDERSON
POSTMASTER GENERAL, CEO

UNITED STATES POSTAL SERVICE

To the President of the United States, the United States Congress, the Members of the Postal Community and the American people:

Throughout the more than 200-year history of our postal system, we have faced and met significant, complex challenges. We have bound a nation together as it expanded from one coast to another, across an entire continent. We have mastered the logistics of keeping our fighting forces in touch with their families and loved ones, even as they risked their lives defending our freedoms. And we have built and maintained a delivery network that has become the backbone of the greatest economy the world has known. The challenges we face in the years ahead are just as great, and require actions and initiatives as bold as any the United States Postal Service has ever achieved.

This Annual Performance Plan for fiscal year 2000 — the second that we have published under the mandate of the Government Performance and Results Act of 1993 — reflects the effort we have undertaken this year to refine our strategic direction to better meet the challenges posed by our marketplace, by technological change, by competitive pressures and by legislative reform. The goals, strategies, indicators and targets for fiscal year 2000 set forth in this document steer us onto a path that not only supports our historic mission, but also begins to prepare us to become a high-performing, operationally excellent supplier of choice for 21st century postal services in a competitive environment. That is the role I believe we must play in the years ahead.

This Annual Performance Plan for fiscal year 2000 is linked closely with our Five-Year Strategic Plan, a "living" document continually under review and benefiting from input from our employees, our customers and our stakeholders. We must constantly remind ourselves that no one is standing still, and neither can we. The Annual Performance Plan demonstrates our determination to move forward, and I am proud to share it with you.

William J. Henderson
Postmaster General

475 L'ENFANT PLAZA SW
WASHINGTON, DC 20260-0010
202-268-2500
202-268-4860 FAX

CONTENTS

EXECUTIVE SUMMARY

INTRODUCTION

On September 30, 1997, the United States Postal Service filed its first Five-Year Strategic Plan required under the 1993 Government Performance and Results Act (GPRA). The next steps in the GPRA planning process were the submission of the Preliminary FY 1999 Annual Performance Plan in February 1998, the final FY 1999 Annual Performance Plan in September 1998, and the Preliminary FY 2000 Annual Performance Plan in February 1999.

The Postal Service sponsored an external Baldrige Award-modeled assessment of its management system in the spring and summer of 1998 and conducted a formal management review of its future strategic direction in the fall of 1998. In response to the findings from the assessment and the review, the strategic goals and performance goals presented in the Five-Year Strategic Plan have been revised. Also, additional material has been included in this Plan following receipt of Government Accounting Office and Office of Inspector General suggestions for improvement to the Preliminary FY 2000 Annual Performance Plan. This final FY 2000 Annual Performance Plan, adopted by the Board of Governors, reflects these revisions as well as adjusted performance metrics and targets.

ORGANIZATION AND LINKAGE WITH THE FIVE-YEAR PLAN

This Annual Performance Plan is operationally linked to the Five-Year Strategic Plan through the *CustomerPerfect!* management system, which has four phases — Establish, Deploy, Implement, and Review.[1] This organization-wide system sets up an annual management cycle that assesses current strategic goals, strategies, indicators and targets, and refines and revises them based on results-focused data. The updated goals and targets are first communicated throughout the Postal Service on a provisional basis. They are finalized during the deployment-phase budget process, when the cost-effectiveness of specific program strategies is considered.

The goals and targets of the Annual Performance Plan are aligned with Postal Service program activities supporting its unique statutory mission.

GOALS, INDICATORS AND TARGETS FOR FY 2000

The specific corporate goals, performance goals, indicators and targets for FY 2000 presented below were developed during a planning process that began in September 1998 and ended in September 1999. They fall into three categories: Voice of the Customer, Voice of the Employee and Voice of the Business.

---

[1] See Appendix A of the Fiscal Year 1999 Annual Performance Plan for a more complete description of the *CustomerPerfect!* system.

VOICE OF THE CUSTOMER

The Voice of the Customer corporate goal is to earn customers' business in a marketplace where they have choices by providing them with world-class quality at competitive prices. The performance goals, indicators and targets are the following:

- Provide timely delivery by achieving overnight First-Class Mail on-time delivery performance of at least 93 percent; by increasing two- and three-day First-Class Mail on-time delivery performance by one percentage point over the final FY 1999 measurement, but at least to 87 percent; by completing development of a First-Class remittance mail on-time indicator and performance baseline; by achieving targeted Priority Mail on-time performance; by increasing on-time performance for Ad Mail delivered within a requested sales window by one percentage point over the FY 1999 measurement; by continuing to develop on-time indicators and baselines for ground parcels; and by developing new on-time performance indicators and baselines for Periodicals and International Mail.

- Provide consistent service by setting a performance target using Customer Service Measurement system indicators showing delivery within 30 minutes of the scheduled time.

- Provide accurate service by setting a performance target using Customer Service Measurement system indicators of complaints or claims for misdelivery, damage, or loss.

- Ensure that the Postal Service is easy to use by improving performance against Ease-of-Use Indices, which use customer satisfaction surveys to measure how easy it is for customers to do business with the Postal Service. The goal for the Composite Ease of Use Index is an increase from the FY 1999 Quarter 3 metric of 656 to 710.

- Develop improved customer goal indicators through development of customer needs market segmentation as an alternative to product segmentation; the use of Customer Value Analysis to develop "best value" criteria; and the use of customer loyalty measures for competitive products.

A variety of customer goal indicators were developed in FY 1999 to support achievement of the FY 2000 improvement targets. These include new indicators for consistency and accuracy, and on-time performance for Priority Mail, Ad Mail, and ground parcels. For FY 2000, new indicators under development include on-time performance for remittance mail, Periodicals, and International Mail.

Several of the measures discussed here — ease of use for retail, for example, or performance of the basic First-Class Mail product — are related to the fulfillment of the Postal Service mission to provide universal service and to bind the nation together through the efficient delivery of postal services. As part of an ongoing assessment of principles of universal service developed for other industries and postal administrations, a review of universal service in other postal administrations has been completed and is included as an appendix to this plan. During FY 2000, the Postal Service will continue consulting with stakeholders, policy makers, regulators and experts to define terms and analytical methods relating to universal service that may be appropriate in the context of future postal reform discussions.

VOICE OF THE EMPLOYEE

The Voice of the Employee corporate goal is to foster an inclusive and welcoming workplace consistent with Postal Service values of fairness, opportunity, safety and security: where everyone is given the knowledge, tools, training and encouragement to be successful;

and where everyone is recognized for and takes pride in their participation in customers' and the Postal Service's success. The performance goals, indicators and targets are the following:

- Improve workplace relations by building leadership skills and behaviors. This will involve making the REDRESS[2] process available to all Performance Cluster[3] employees and achieving a 70 percent participation rate; and developing indicators and performance baselines for labor relations performance and Equal Employment Opportunity (EEO) program performance.

- Ensure that each and every employee is given the knowledge, tools, training and encouragement to successfully meet the expectations for their positions by providing at least four hours of interpersonal skills training for all craft employees and at least 97 percent of EAS employees; by providing one hour of sexual harassment training to all craft employees; by providing two hours of sexual harassment training to all EAS employees; and by improving a proficiency index for bulk mail acceptance unit employees by 10 percent over its FY 1999 measurement.

- Improve employee safety, security and well-being by developing safety program evaluation indicators to match Occupational Safety and Health Administration (OSHA) requirements; by keeping the lost workday injury rate per 200,000 work hours below 1.90; by keeping total accidents per 200,000 work hours below 11.49; and by keeping motor vehicle accidents per million miles driven below 11.0.

- Improve understanding of employee issues and concerns by developing a Voice of the Employee Survey Index indicator, performance baselines and targets.

- Ensure an inclusive and fair environment with opportunities for all employees by developing indicators that reflect a fair and inclusive environment and an environment where opportunities are provided for all employee groups.

For FY 2000, new indicators will be developed to assess labor relations performance, EEO program performance, safety programs and the fairness and inclusiveness of the workplace environment.

VOICE OF THE BUSINESS

The Voice of the Business corporate goal is to generate financial performance to assure the commercial viability of the Postal Service as a service provider in a changing competitive marketplace, and to generate cash flow to finance high-yield investments for the future while providing competitively-priced products and services. The FY 2000 performance goals, indicators and targets are the following:

- Improve overall business performance by achieving positive indexed Economic Value Added (EVA) and by meeting the $4 billion capital commitment target.

- Generate an overall net income of $100 million.

- Control costs by improving both Total Factor Productivity and labor productivity by 3.1 percent.

---

[2]   The REDRESS (Resolving Employment Disputes Reaching Equitable Solution Swiftly) program, described on page 19, is an alternative to the traditional EEO process for dispute resolution.
[3]   A Performance Cluster is one of 85 geographically-based, mid-level organizational units.

- Keep price increases at or below the rate of inflation by maintaining current rates.

- Restore original equity by achieving an average annual net income over the current rate cycle to approximate the provision for recovery of prior years' losses included in current postage rates.

In FY 1999, the Postal Service produced quarterly costs and revenues by product, using data from the Cost and Revenue Analysis system. In FY 2000, these reports will continue to be used by senior management to assess potential trends by product.

CUSTOMERPERFECT!: MANAGING THE POSTAL SERVICE

CustomerPerfect!, the Postal Service's management system, employs four phases: Establish, in which objectives, goals and subgoals are set; Deploy, in which resources are allocated and plans developed; Implement, when plans and resources are put into action; and Review, a reality check on how well the goals, subgoals and targets were met. Through this process, the organization continually reviews the performance of the management system and identifies opportunities for improvement.

In the spring and summer of 1998, a formal Baldrige Award-modeled assessment of the *CustomerPerfect!* management system was conducted by external examiners. Five general areas for improvement opportunities were identified: people, human resource strategy, process management, comparative data and alignment of direction. Thirty-nine projects in these five areas have been identified, and for each project, teams have been assigned to develop multi-year project plans to implement the recommended process improvements.

To improve the Establish process, improved data from marketing plans, a Business Environmental Assessment, a Voice of the Employee survey, and the Baldrige assessment were used in setting improvement targets.

To improve the Deploy process, the guidelines for identifying resources needed to achieve targets were updated and standardized, and a more systematic effort to increase the level of involvement of field managers was employed.

To improve the Implement process, several new programs were added to the Postal Service's formal program management effort. Also, implementation of process management throughout the Postal Service was enhanced during FY 1999 through development of a corporate enterprise map. Efforts continue to improve communications of the strategic goals and performance targets to employees throughout the organization.

To improve the Review process, the business review process is being further refined to reinforce the renewed strategic direction defined during the Establish process. In addition to maintaining a focus on achieving the targets included in the FY 1999 Annual Performance Plan, reviews at all levels deal with the key programs and change initiatives, such as the plans to respond to the Baldrige assessment and the major investment programs that are critical to the continued success of the Postal Service.

RESOURCES AND PROGRAMS: ACHIEVING THE GOALS

The Postal Service's capital investment plan provides the foundation that supports the Five-Year Strategic Plan. The FY 2000 capital commitment plan is $4 billion. In FY 2000, $1.5 billion in automation and mechanization investments will be made to enhance previously-deployed technologies and to expand the technology base available to support postal

operations. The facilities commitment plan for FY 2000 is $1.4 billion, representing about 36 percent of the organization's total capital investment. Capital spending for vehicles is $352 million, which will be used to replace the aging fleet with modern, fuel-efficient models. Commitments of $245 million are planned for retail equipment, which includes self-service vending equipment. Postal support equipment investment of $488 million represents 12 percent of the total FY 2000 capital plan.

VERIFICATION AND VALIDATION: ENSURING ACCURACY

A variety of data and resources aid in measuring success in meeting performance goals. Many of the data systems utilized have a series of internal controls embedded within their procedures to safeguard the integrity of the results. Also, the General Accounting Office (GAO), the Office of Inspector General (OIG), the Inspection Service and independent certified public accounting firms retained by the Postal Service conduct ongoing reviews of Postal Service data and render periodic reports on their findings and recommendations.

Specific Postal Service systems and processes are planned for verification and validation of the data used to track each *CustomerPerfect!* performance goal.

CHALLENGES AND EXTERNAL FACTORS: THE PERMANENCE OF UNCERTAINTY

Changes in customer requirements, the evolution of new technologies, opportunities for growth in labor/management relationships and ongoing efforts to structure legislative reform are continuing challenges that seem likely to affect the ability of the Postal Service to achieve its goals for FY 2000. In the coming fiscal year, customers will continue to press the Postal Service to accelerate its application of technology to enhance the processing and delivery of their mail. Concurrently, customers will continue to demand aggressive management of costs. In the realm of technology, as well, change will be a constant. Electronic alternatives, from e-mail to applications as yet unannounced, will continue to affect mail volumes.

The 1998 labor negotiations mark the starting point of the path that the Postal Service and its workforce will pursue in the next few years. The journey seeks both employee and customer satisfaction, but those goals will not be reached without positive change. Finally, there is growing agreement regarding the need for change in the structure established by the Postal Reorganization Act almost 30 years ago. The Postal Service is still charged with providing a fundamental, universal public service to the nation, at fair and affordable prices. But, in order to fulfill that role in an increasingly complex and competitive environment, the Postal Service needs the ability to price its offerings in response to rapidly changing market conditions, and to offer products and services with characteristics that compare favorably with changing alternatives. The course of legislative reform that will shape the United States Postal Service for the 21st century remains a work in progress.

In sum, this Annual Performance Plan for FY 2000 sets goals, indicators and targets that continue the transformation of the Postal Service into a proactive, mission-driven, customer-focused organization that is responsive to the requirements of the American public, the challenges of a rapidly-changing marketplace and the needs of employees. This plan thus provides a base from which the Postal Service will continue to adapt to changing customer needs and new competitive technologies.

2000 PERFORMANCE PLAN

I. INTRODUCTION

On September 30, 1997, the United States Postal Service filed its first Five-Year Strategic Plan required under the 1993 Government Performance and Results Act (GPRA). The Strategic Plan, which covers the period FY 1998-2002, describes the Postal Service's corporate and performance goals,[4] strategies, targets and indicators that the organization will use to achieve its mission and remain viable into the 21st century by effectively managing its costs, by responding to customer needs and demands in ways that deliver unique value and by enhancing organizational effectiveness. Following the Preliminary and final Annual Performance Plans for FY 1999 and the Preliminary Annual Performance Plan for FY 2000 that were published in February 1998, September 1998 and February 1999, respectively, this final FY 2000 Annual Performance Plan is the next step in the GPRA planning process.

The underlying foundation of this Performance Plan is the mission of the Postal Service, as stated in the opening paragraph of the 1970 Postal Reorganization Act: "The Postal Service shall have as its basic function the obligation to provide postal services to bind the Nation together through the personal, educational, literary, and business correspondence of the people. It shall provide prompt, reliable, and efficient services to patrons in all areas and shall render postal services to all communities."

Two hundred years after its creation, the nation's Postal Service is seen by the American public and its representatives as a core government function. The goals, strategies, targets and indicators in this plan enhance the speed, reliability and efficiency of mail's delivery. In so doing, they support the Postal Service's mission and role as a government service providing universal postal service to the country.

---

4 In Postal Service terminology, *goals* are broad statements of direction — for example, "Earn customers' business in a marketplace where they have choices by providing them with world-class quality at competitive prices." *Subgoals* (performance goals) narrow the focus to specific performance areas within each goal — for instance, "Provide timely delivery." *Indicators* are measures of performance for the subgoals, such as "percent on-time, overnight delivery of First-Class Mail as measured by the External First-Class Measurement System." *Targets* are the specific levels of performance to be achieved on the indicator — for example, "93 percent on time" — and are set each year after extensive consultation that takes place in the Deploy phase of the management cycle.

A few years ago, the Postal Service reexamined its historic mission and drafted an updated Statement of Purpose, which was published as part of its Five-Year Strategic Plan, submitted to the Congress and the President on September 30, 1997. That Statement of Purpose reads: "To provide every household and business across the United States with the ability to communicate and conduct business with each other and the world through prompt, reliable, secure and economical services for the collection, transmission and delivery of messages and merchandise." Today, the role of the Postal Service in providing access to all Americans and uniform rates that connect all delivery points is more important than ever, even as an ever-increasing variety of new electronic services fragments the communications marketplace.

Examination and review of the evolving role of the Postal Service has continued since the publication of the Five-Year Strategic Plan. During the fall of 1998, as part of an effort to define a future vision and strategic direction for the Postal Service, senior management undertook a comprehensive review of the current statutory responsibilities and regulatory environment of the Postal Service and the impacts of the following developments:

- Changes in the regulatory environment faced by other postal administrations and other regulated industries

- Emerging complementary and substitute technologies

- Changing customer expectations

- Changes in employee relationships and expectations

- Changes in the competitive environment

As a result of this review, the following vision statement for the Postal Service in the 21st century was drafted:

> Within the decade ahead, the Postal Service must be transformed into a high-performing enterprise, able to compete with agile competitors, to be responsive to more sophisticated customer demands, and to establish goals aligned with the vision of becoming the service customers choose to use, rather than have to use. All employees must have appropriate incentives and tools, not only to service their customers, but to meet or exceed competitors' offerings. We must, in short, develop an operationally excellent, financially sound, performance-based culture and mindset.

> Given our expectations and beliefs about the future marketplace, it is imperative that the Postal Service achieve a state of operational excellence and competitive performance so high that a partial loss of the letter and mailbox monopolies would not make a difference to our ability to serve customers and to our success.

This new statement of future vision and strategic direction led in turn to amendments of the Postal Service's three corporate goal statements, which are incorporated in this Annual Performance Plan for FY 2000. The amendments reflect the organization's decision to strengthen its goal statements relative to its increasingly challenging postal marketplace, its need to improve its workplace environment and how it receives employee input, and its overall business requirements for success.

The Voice of the Employee goal has been revised because the organization — after reviewing the goal and its supporting subgoals, indicators and targets — concluded that the

original statement was perceived to reflect the voice of management more than the voice of all Postal Service employees. The new Voice of the Employee goal statement elevates the quality of the overall workplace environment from a subgoal category to a corporate goal, and emphasizes that the end result should achieve organizational and individual success.

The Voice of the Customer goal has been changed to strengthen the message that customers have choices, and that the Postal Service — in order to meet their requirements and get their business — must offer products and services competitive with the best available globally.

Finally, the Voice of the Business goal has been amended to link financial performance to the requirements of a competitive marketplace and an expectation of the need for high-yield investments for the future.

Other amendments and improvements in this Annual Performance Plan include the addition and deletion of subgoals, the introduction of new indicators, and the setting of new performance targets. All goal statements, subgoals, indicators and performance targets are listed in Table 2-2. The revised and previous goals and subgoals for all three Voices, and the reasons for their changes, are listed in Appendix A.

Specifically, within the Voice of the Customer, customer needs segmentation, product and service "best value" criteria and customer loyalty have been introduced as subgoals. New VOC indicators will address delivery of remittance mail, Ad Mail, Priority Mail, ground parcels, Periodicals and International Mail.

Within the Voice of the Employee, new subgoals are designed to improve workplace relations, to support employee success, to enhance security, to improve organizational understanding of employee issues and to commit to meeting the needs of a diverse workforce. New VOE indicators will focus on REDRESS, labor relations, and the EEO program; on training and proficiency; on an employee survey and on the fairness and inclusiveness of the workplace environment.

Within the Voice of the Business, a new consolidated net income subgoal has been introduced and a redundant cost control subgoal has been deleted. Two other subgoals have received minor changes. New indicators include measures of quarterly revenues and costs by product.

LINKAGE BETWEEN ANNUAL PERFORMANCE PLAN AND STRATEGIC PLAN

The United States Postal Service's revised five-year goals are to earn customers' business by providing quality products and services at competitive prices; to build an inclusive and welcoming workplace that fosters success; and to perform financially to ensure viability, competitive pricing and generation of sufficient cash flow for high-yield investments. These goals will again be reviewed in the annual management cycle dictated by the Postal Service's *CustomerPerfect!* performance management system.

Management uses the annual planning cycle to propose these goals, categorized as customer, employee and business "voices," and to develop, test and refine business strategies and measures of performance — indicators as well as targets. These proposals are first communicated as provisional targets. Then they are finalized during the deployment-phase budget process, when the cost-effectiveness of specific program strategies is considered.

The FY 1998 management cycle produced measures for the FY 1998-2002 planning horizon, which were outlined in the Five-Year Strategic Plan. As required by the GPRA, the Five-Year Plan also discussed the current Postal Service business environment and described

the process used to obtain comments on the Postal Service's proposed strategic direction from its stakeholders.

The Postal Service's Annual Performance Plan presents targets and program strategies for FY 2000. Publication of this plan on September 30, 1999, after adoption by the Board of Governors, represents the last stage in the annual process.

RESULTS ACT REQUIREMENTS

The GPRA legislation sets forth the following content requirements for Postal Service Annual Performance Plans:

The Postal Service shall prepare an annual performance plan covering each program activity set forth in the Postal Service budget statement... Such plan shall:

(1) establish performance goals to define the level of performance to be achieved by a program activity;

(2) express such goals in an objective, quantifiable, and measurable form unless an alternative form is used...;

(3) briefly describe the operational processes, skills, and technology, and the human, capital, information, or other resources required to meet the performance goals;

(4) establish performance indicators to be used in measuring or assessing the relevant outputs, service levels, and outcomes of each program activity;

(5) provide a basis for comparing actual program results with the established performance goals; and

(6) describe the means to be used to verify and validate measured values.

[Title 39, U.S. Code, Sec. 2803(a)]

In addition to the above statutory content requirements for the Annual Performance Plan, expanded discussions on the following topics have been included[5] as recommended by the General Accounting Office (GAO) in its April 30, 1999 report, "Observations on the Postal Service's Preliminary Performance Plan for Fiscal Year 2000" and by the Office of Inspector General (OIG) in its March 26, 1999 "Review of USPS Compliance with the Government Performance and Results Act:"

• Include more complete baseline data on current performance levels for all subgoals

• Provide better linkage between performance goals, strategies and resources

• Provide additional information on data verification and validation

• Present goals, indicators and targets for the Year 2000 initiative

• Identify the high-priority goals for the year covered by the plan

---

[5] As in earlier Performance Plans, expanded discussions of the Postal Service's mission, strategies, challenges and external factors are also included based on earlier recommendations by GAO and Postal Service Subcommittee Chairman McHugh.

The table below lists the specific sections in this plan where each requirement or recommendation is discussed:

REQUIREMENT/RECOMMENDATION	CHAPTER: SECTIONS
Establish performance goals	II: VOC, VOE, VOB; App. A
Express goals in a quantifiable form	II: VOC, VOE, VOB
Describe required resources	II: Resources and Programs
Establish performance indicators	II: VOC, VOE, VOB
Provide basis for comparing results with goals	II: *CustomerPerfect!* Annual Cycle
Describe how measured values are verified and validated	II: Verification and Validation
Include current performance levels	App. D
Provide linkages of goals, strategies and resources	App. F
Present goals for the Year 2000 initiative	App. C
Identify high-priority goals for year	App. F

POSTAL SERVICE PROGRAM ACTIVITIES

Funded by the revenue generated by its products and services, the United States Postal Service's program activities support the organization's unique statutory mission to provide universal service and be self-sustaining. In this Annual Performance Plan, those activities-and the goals, indicators and targets that support them-are aligned with the Five-Year Strategic Plan prepared under the Government Performance and Results Act. For the Postal Service, the GPRA legislation's Senate Report (p. 39) states that a program activity should be considered to be "a specific activity related to the mission of the Postal Service, and does not relate to programs or activities listed in the Federal budget." The program activities discussed in this Performance Plan relate to the goals, indicators and targets for management improvement, to which the Postal Service's management process has given priority attention in fulfilling the Postal Service mission.

FY 2000 operating projections. The Postal Service's most recent financial projection for FY 2000 indicates a positive net income of $100 million, with total revenues of $65.424 billion and total expenses of $65.324 billion.

The Postal Service is unlike other government agencies in that it receives no federal appropriations to subsidize its operations. Postal Service costs are funded exclusively by the revenues derived from services provided. Table 1-1 reflects the projected FY 2000 revenues to be received, by major product and service.

TABLE 1-1. FY 2000 REVENUE PROJECTIONS *($ Millions)*

REVENUE CATEGORY	REVENUE
First-Class Mail	36,031
Priority Mail	4,815
Express Mail	990
Periodicals	2,199
Standard A	15,415
Standard B	1,101
International	1,587
Special Services	3,192
Subtotal: Total Mail and Services	65,330
Appropriation for Revenue Forgone	64
Investment Income	30
Grand Total Revenue	65,424

The products and services in Table 1-1 are the means by which the Postal Service fulfills its mission of providing universal service. Table 1-2 summarizes expenses that the Postal Service is projected to incur in delivering these products and services.

TABLE 1-2. FY 2000 EXPENSE PROJECTIONS *($ Millions)*

EXPENSE CATEGORY	EXPENSE
Personnel Expenses:	
Compensation	37,806
Benefits	11,852
Subtotal: Personnel Expenses	49,658
Non-Personnel Expenses:	
Transportation	4,604
Supplies and Services	3,822
Building Occupancy	1,845
Depreciation/Write-offs	1,885
Vehicle Maintenance	852
Interest Expense:	
Deferred Retirement Liability	1,592
Borrowing	240
Research and Development	45
Other Miscellaneous	781
Subtotal: Non-Personnel Expenses	15,666
Grand Total Expenses	65,324

Included in Table 1-2 are costs of the major projects shown in Table 1-3 below. Each of these projects has a major impact on the FY 2000 budget, and each explicitly links budget resources to the Postal Service's corporate goals under the Voices of the Customer, the Employee and the Business. Brief descriptions of these programs, including linkages to the various performance goals, are provided in the next section.

TABLE 1-3. FY 2000 MAJOR PROJECT COSTS   ($ Millions)

PROGRAM	CAPITAL	EXPENSE
Priority Mail Processing Centers	1	492
Mail Transport Equipment Service Centers	0	358
Recurring Mail Transport Equipment	0	171
Corporate Advertising	0	150
Corporate Call Management	26	144
Stamp Manufacturing	1	147
Associate Office Infrastructure	1	96
Delivery Confirmation Program	0	73
Point of Service One	219	85
Expedited Supplies	0	81

These revenue and expense projections assume attainment of Voice of the Business financial performance goals detailed in Table 2-5 below. These performance goals are based on revenue growth strategies as well as the benefits resulting from productivity improvements.

A total cost reduction of $1,706 million is budgeted for FY 2000, to be derived from specific programs and initiatives. The projected cost savings resulting from ten major FY 2000 cost reduction programs are shown in Table 1-4 below. In addition, local management initiatives in the field to improve efficiency, reduce rework and waste, and to target productivity in city delivery operations, allied labor in mail processing and manual mail operations are expected to result in savings of $465 million. At headquarters, decisions to limit or defer program growth, reduce non-personnel costs and lower complement, where appropriate, are expected to result in savings of $711 million.

TABLE 1-4. FY 2000 COST REDUCTION PROGRAMS   *($ Millions)*

PROGRAM	COST SAVINGS
Delivery Barcode Sorters	204
Mail Transport Equipment Service Centers	77
Remote Barcoding System	67
Recognition Improvement Programs	57
Flat Mail Optical Character Reader	35
Small Parcel and Bundle Sorter Feed System	15
Tray Management System	14
Small Parcel and Bundle Sorter	23
Delivery Barcode Sorter Output Subsystem	13
Hi-Rise Coding	10

Significant capital commitments of $8.0 billion are projected in FY 1999-2000 that will influence the planned FY 2000 operating results and beyond. As described in the Resources and Programs section below, these investments support technologies that produce labor savings or cost avoidance and customer service programs that generate revenue or improve competitiveness in the marketplace.

II. WHERE THE POSTAL SERVICE IS GOING: GOALS FOR FY 2000

The specific corporate goals, performance goals, indicators and targets for FY 2000 presented below were developed during a planning process that began in September 1998 and concluded in September 1999.

CORPORATE GOAL CATEGORIES: THE THREE-VOICE STRUCTURE

The Voice of the Customer goal category centers on customer satisfaction, meeting customer requirements and the achievement of superior quality at competitive prices. The Voice of the Employee goal category focuses on creating a workplace environment that fosters success and embraces the values of fairness, opportunity, safety and security. The focus of the Voice of the Business goal category is on financial performance to assure commercial viability, bottom-line results and sufficient capital for future investments.

These three goals support three critical elements of the Postal Service: service to the customer, the employee on whom the quality of this service depends, and the financial base or the business that must match revenue and cost. The goals are summarized in Table 2-1 below:

TABLE 2-1. FY 2000 POSTAL SERVICE GOAL CATEGORIES

GOAL CATEGORY	GOAL STATEMENT
Voice of the Customer	Earn customers' business in a marketplace where they have choices by providing them with world-class quality at competitive prices.
Voice of the Employee	Foster an inclusive and welcoming workplace consistent with Postal Service values of fairness, opportunity, safety and security; where everyone is given the knowledge, tools, training and encouragement to be successful; and where everyone is recognized for and takes pride in their participation in customers' and the Postal Service's success.
Voice of the Business	Generate financial performance that assures the commercial viability of the Postal Service as a service provider in a changing, competitive marketplace; and generate cash flow to finance high-yield investments for the future while providing competitively-priced products and services.

TABLE 2-2 FY 2000 GOALS, STRATEGIES, INDICATORS AND TARGETS

GOAL	SUBGOAL
Earn customers' business in a marketplace where they have choices by providing them with world-class quality at competitive prices.	Provide Timely Delivery
	Consistency
	Accurate Service
	Ease of Use
	Explore customer needs segmentation
	Develop "best value" criteria
	Explore concept of customer loyalty
Foster an inclusive and welcoming workplace consistent with Postal Service values of fairness, opportunity, safety, and security; where everyone is given the tools, training, and encouragement to be successful; and where everyone is recognized for and takes pride in their participation in customers' and the Postal Service's success.	Improve workplace relations by building leadership skills and behaviors
	Ensure that each and every employee is given the knowledge, tools, training, and encouragement to successfully meet the expectations for their positions
	Improve employee safety, security, and well being
	Improve understanding of employee issues and concerns
	Ensure an inclusive and fair environment with opportunities for all employees
Generate financial performance that assures commercial viability as a service provider in a changing competitive marketplace and generate cash flow to finance high-yield investments for the future while providing competitively priced products and services.	Improve overall VOB performance
	Generate net income
	Control costs by achieving productivity gains
	Keep price increases below inflation
	Restore original equity

INDICATOR	TARGET

First-Class Mail on-time
    EXFC overnight
    EXFC 2/3-day
    Remittance mail
	
	93%
	1% improvement, but at least 87%
	Develop indicator and performance baseline

Priority Mail on-time	Proprietary information
Advertising Mail on-time (delivered within sales window)	1% improvement
Ground parcels on-time	Proprietary information
Periodicals on-time	Develop indicator and performance baseline
International Mail on-time	Develop indicator and performance baseline
Customer Satisfaction Measurement survey responses	Set target
Customer Satisfaction Measurement survey responses	Set target

Composite Ease of Use Index
    Residential Ease of Use Index
    Premier Accounts Ease of Use Index
    Business Ease of Use Index
    National Accounts Ease of Use Index
	710
	760
	700
	740
	677

Segmentation scheme	Develop indicators and targets
Customer Value Analysis	Develop indicators and targets
Customer Satisfaction Measurement survey responses	Develop indicators and targets
REDRESS 100% available	Develop indicator and performance baseline
Indicator for labor relations performance	Develop indicator and performance baseline
Indicator for EEO program performance	Develop indicator and performance baseline
4 hours interpersonal skills training	100% of craft/97% of EAS employees
Sexual harassment training	1 hour for craft/2 hours for EAS employees
Proficiency index for bulk mail acceptance unit/process	10% improvement in indicator
OSHA compliance/Safety Program Evaluation	Develop indicators and baselines; set targets
Lost workday injuries per 200,000 work hours	1.90
Total accidents per 200,000 work hours	11.49
Motor vehicle accidents per million miles driven	11.0
VOE Survey Index	Develop indicators and baselines; set targets
Indicator for fair and inclusive environment	Develop indicator and performance baseline
Indicator reflecting environment where opportunities are provided for all employee groups	Develop indicator and performance baseline
Indexed EVA	Positive indexed EVA
Capital commitment	$4 billion
Net income	$100 million
Total Factor Productivity	3.1%
Labor Productivity	3.1%
Price changes vs. CPI	Maintain current rates
Net income greater than BOG resolution	Approximate provision for recovery of prior years' loss over current rate cycle

Achieving these broad goals will allow the Postal Service to continuously improve service, ensure an effective and stimulating workplace environment and achieve superior financial performance. The service goals will be expanded to include all major product lines while sustaining the core mission of universal service. The human assets of the company will be the focus of investment by providing employees with the knowledge, tools, training and encouragement that will allow them to contribute to the success of the Postal Service and its customers. At the same time, the costs of service enhancements and investments in employees will be managed to assure successful financial performance.

These three goals, worded approximately in this form, have been the broad goals of the Postal Service since its inception. Concern for serving the customer, concern for the employee and concern for the bottom-line interest in the measures of business performance are the essential building blocks of the postal business. In an earlier day, when the forces of competition were not so apparent, the business goal might have been stated in terms of cost management alone. Today, the Postal Service must be successful in offering customers high-quality products and services that are chosen over competitive alternatives, and which generate revenues that cover costs.

The three corporate goal categories are further clarified by identifying performance goals[6] or objectives that support performance measurement. These frame the critical actions needed to achieve the goals.

Specific performance measures — defined as indicators and targets — are linked to each performance goal. The Postal Service's *CustomerPerfect!* management system dictates an annual cycle of setting performance goals, deploying resources against those goals, measuring and rewarding performance, and evaluating and reviewing targets and performance. Each operating year is thus preceded by a planning year in which goals are set and resources are allocated. The cycle's objective is continuous organizational improvement. The specific targets for FY 2000 are summarized in Table 2-2 on the previous pages.

VOICE OF THE CUSTOMER: CUSTOMER SATISFACTION

PERFORMANCE GOALS, INDICATORS AND TARGETS

The performance goals of the Voice of the Customer are shown in Table 2-3 below:

TABLE 2-3. VOICE OF THE CUSTOMER PERFORMANCE GOALS

THE GOAL: Earn customers' business in a marketplace where they have choices by providing them with world-class quality at competitive prices.
PERFORMANCE GOAL 1: Provide timely delivery.
PERFORMANCE GOAL 2: Provide consistent service.
PERFORMANCE GOAL 3: Provide accurate service.
PERFORMANCE GOAL 4: Ensure that the service is easy to use.
PERFORMANCE GOAL 5: Explore customer needs segmentation as an alternative to product segmentation.
PERFORMANCE GOAL 6: Develop "best value" criteria based on Customer Value Analysis.
PERFORMANCE GOAL 7: Explore concept of customer loyalty for competitive products.

---

[6] Performance goals are the "subgoals" of the *CustomerPerfect!* management system that frame the strategies discussed in the Five-Year Strategic Plan.

The following section takes each of these performance goals for the Voice of the Customer, describes an indicator of performance and sets a performance target.[7] Where data are available, a three-year history of performance baselines for the VOC indicators is provided in Appendix D.

PERFORMANCE GOAL 1: **Provide timely delivery.** For FY 2000, the Postal Service will:

- Achieve overnight First-Class Mail on-time performance of at least 93 percent.

- Increase two- and three-day First-Class Mail on-time performance by one percentage point over FY 1999 performance, but at least to 87 percent.

- Complete development of a First-Class remittance mail on-time performance indicator and establish a performance baseline.

- Achieve targeted Priority Mail on-time performance, as measured by the Priority End-to-End (PETE) system.

- Increase on-time performance for Ad Mail delivered within a requested sales window by one percentage point over FY 1999 performance using the ADVANCE measurement system.[8]

- Continue development of a ground parcel on-time performance indicator; establish a performance baseline; and set a target when data are available.

- Develop on-time performance indicators and baselines for Periodicals and International Mail .

PERFORMANCE GOAL 2: **Provide consistent service.** For FY 2000, the Postal Service will:

- Set a performance target using Customer Service Measurement indicators of delivery within 30 minutes of the scheduled time.

PERFORMANCE GOAL 3: **Provide accurate service.** For FY 2000, the Postal Service will:

- Set a performance target using Customer Service Measurement indicators of complaints or claims for misdelivery, damage, or loss.

PERFORMANCE GOAL 4: **Ensure that the service is easy to use.** For FY 2000, the Postal Service will:

- Improve performance against Ease-of-Use Indices, which use customer satisfaction surveys to measure how easy it is for customers to do business with the Postal Service. Both composite and customer segment Ease-of-Use Index goals are shown below (based on a maximum index value of 1000):

- Increase the Composite Ease-of-Use Index to 710.

- Increase Residential Ease-of-Use Index to 760.

- Increase Premier Accounts Ease-of-Use Index to 700.

---

7   The indicators and performance targets that are "in development" are assigned to a specific Postal Service officer, who then creates cross-functional teams to develop, pilot test and implement these measures.
8   With the ADVANCE system, business customers use the Internet to give local postal managers timely notice of mailings scheduled for delivery. An electronic image of the scheduled mail piece aids recognition. Detailed compliance and performance reports are accessible to both postal supervisors and mailing customers.

- Increase Business Ease-of-Use Index to 740.

- Increase National Accounts Ease-of-Use Index to 677.

PERFORMANCE GOAL 5: Explore customer needs segmentation as an alternative to product segmentation. For FY 2000, the Postal Service will:

- Develop indicators and targets based on customer needs segmentation.

PERFORMANCE GOAL 6: Develop "best value" criteria based on Customer Value Analysis. For FY 2000, the Postal Service will:

- Develop indicators and targets using the Customer Value Analysis methodology.

PERFORMANCE GOAL 7: Explore concept of customer loyalty for competitive products. For FY 2000, the Postal Service will:

- Using Customer Satisfaction Measurement survey responses, develop customer loyalty indicators and targets.

The customer service goals and performance goals are derived from customer satisfaction surveys and research conducted on behalf of the Postal Service by outside evaluation professionals. The seven performance goals support the core strategy of the Postal Service, providing improved customer value. The strategy is designed to lead to value creation in each market served through recognition of the customer's interests in both excellent and affordable service.

Significant progress was made during FY 1999 on developing appropriate indicators for Performance Goals 5-7. In the area of customer needs-based segmentation, 15 industry customer segments and 15 consumer segments were created and profiled using survey data. For the "best value" criteria performance goal, baseline comparative data have been developed for the Postal Service's package and Ad Mail products using the Customer Value Analysis (CVA) methodology. Finally, for the customer loyalty performance goal, data on Postal Service performance from the Customer Satisfaction Measurement (CSM) program has been used to develop baseline "loyalty" measures for a number of the industry customer and consumer segments mentioned above. Refinements to all three performance goal indicators will be pursued during FY 2000.

These customer-focused goals are aligned with the employee and business goals whose descriptions follow. If the customer goals require it, the Postal Service is committed to developing appropriate human resources and investing additional financial resources to improve value. Recognizing the diversity of its markets and customer needs, the Postal Service will develop the postal network to make it more flexible and responsive to the demands of competitive markets.

NEW INDICATOR DEVELOPMENT

Several new indicators were developed during FY 1999 to support achievement of the improvement targets for 2000 and beyond. These include new indicators for consistency and accuracy of service, as well as on-time performance indicators for Priority Mail, Ad Mail, and ground parcels. For FY 2000, the service attributes for which new indicators are being developed include on-time performance for remittance mail, Periodicals, and International Mail.

Universal service measure. In the GAO's review of the draft Five-Year Strategic Plan in 1997 and in subsequent discussions concerning legislative reform, there has been interest in

identifying measures related to the Postal Service's responsibility to provide universal service, as specified in the Postal Reorganization Act of 1970 and in subsequent actions of Congress, the courts and regulators.

Several of the Voice of the Customer measures discussed here — ease of use for retail, for example, or performance of the basic First-Class Mail product — are related to the fulfillment of the Postal Service mission to provide universal service to all communities at a uniform price and to bind the nation together through the efficient delivery of postal services. To guide the development of measures in future annual management cycles and to ensure that the specific measures developed under the three Voices are defined in a manner that permits the Postal Service to fulfill its statutory mission, the Postal Service has undertaken a multi-year initiative to develop a definition of universal service and to assess its meaning with respect to service requirements.

The experience of other industries and posts that have sought to define such universal service concepts has relevance to this effort. A review of universal service in other postal administrations was completed during FY 1999, and a summary is presented in Appendix E. During FY 2000, the Postal Service will continue to review its own statutory universal service obligations, and will also continue consultations with stakeholders, policy makers, regulators and experts to define terms and analytical methods that may be appropriate in the context of future postal reform discussions.

VOICE OF THE EMPLOYEE: ORGANIZATIONAL EFFECTIVENESS

PERFORMANCE GOALS, INDICATORS AND TARGETS

The performance goals for the Voice of the Employee are presented in Table 2-4 below. Where data are available, a three-year history of performance baselines for the VOE indicators is provided in Appendix D.

TABLE 2-4. VOICE OF THE EMPLOYEE PERFORMANCE GOALS

THE GOAL: Foster an inclusive and welcoming workplace consistent with Postal Service values of fairness, opportunity, safety and security: where everyone is given the knowledge, tools, training and encouragement to be successful; and where everyone is recognized for and takes pride in their participation in customers' and the Postal Service's success.
PERFORMANCE GOAL 1: Improve workplace relations by building leadership skills and behaviors.
PERFORMANCE GOAL 2: Ensure that each and every employee is given the knowledge, tools, training and encouragement to successfully meet the expectations for their positions.
PERFORMANCE GOAL 3: Improve employees' safety, security and well-being.
PERFORMANCE GOAL 4: Improve understanding of employee issues and concerns.
PERFORMANCE GOAL 5: Ensure an inclusive and fair environment with opportunities for all employees.

PERFORMANCE GOAL 1: Improve workplace relations by building leadership skills and behaviors. For FY 2000, the Postal Service will:

- Make the REDRESS process available to all Performance Cluster[9] employees, with 70 percent participation.

- Develop indicators and performance baselines for labor relations performance and EEO program performance.

PERFORMANCE GOAL 2: Ensure that each and every employee is given the knowledge, tools, training and encouragement to successfully meet the expectations for their positions. For FY 2000, the Postal Service will:

- Provide at least four hours of interpersonal skills training for all craft employees and at least 97 percent of EAS employees.

- Provide one hour of sexual harassment training for all craft employees and two hours of training for all EAS employees.

- Improve the proficiency index for bulk mail acceptance unit employees by 10 percent compared to the FY 1999 measurement.

PERFORMANCE GOAL 3: Improve employees safety, security and well-being. For FY 2000, the Postal Service will:

- Develop Safety Program Evaluation indicators to match OSHA compliance requirements, develop performance baselines and set targets.

- Keep lost workdays due to injury per 200,000 work hours below 1.90.

- Keep total accidents per 200,000 work hours below 11.49.

- Keep motor vehicle accidents per million miles driven below 11.0.

PERFORMANCE GOAL 4: Improve understanding of employee issues and concerns. For FY 2000, the Postal Service will:

- Develop a VOE Survey Index and a performance baseline, and set targets.

PERFORMANCE GOAL 5: Ensure an inclusive and fair environment with opportunities for all employees. For FY 2000, the Postal Service will:

- Develop indicators and performance baselines that reflect:

  - A fair and inclusive environment, and

  - An environment where opportunities are provided for all employee groups.

The Postal Service's goal of building an inclusive and welcoming workplace that fosters success will be driven by the strategies, tactics and programs described below and in the review of other VOE initiatives presented in Appendix F.

In order to achieve its vision as the most effective and productive service in federal government, the Postal Service will have to become an organization that excels in the development of leaders. That improvement effort is already underway, and is reflected by the

---

[9] A Performance Cluster is one of 85 geographically-based, mid-level organizational units.

investment in the training of new managers and supervisors in communication, conflict management and leadership skills. This commitment will enhance executive effectiveness, advance the organizational commitment to value, leverage diversity and create a valuable resource of mid-level managers prepared to assume leadership roles.

Leadership improvement will continue through the usage of the Leadership Behavior Model, a set of described behaviors designed to reflect the core values of the Postal Service. The values were conceived to be applicable in everyday management. An assessment process has been developed to help managers recognize and improve their skills in communicating leadership behavior, to build a new individual development plan reflective of the feedback, and to positively impact their work units.

Supervisors and managers will continue to have an opportunity to participate in courses specifically designed to enhance their skills and competencies both on a technical level and as leaders. A new course, the Career Management Program, continues to be available to address the training needs of supervisors and managers in the EAS level 15-22 range. With the introduction of this program, the training needs of supervisors and managers at all levels in the organization will be met. The Postal Service will continue to administer the Associate Supervisor program for initial level supervisors as well as the Advanced Leadership Program, which targets individuals selected as high-potential future leaders of this organization. In addition, specific functional and administrative training for supervisors in delivery, retail and plant operations will be available in FY 2000.

Improving workplace relationships with employees and the unions and management associations that represent them is a key objective of the Postal Service. Initiatives and key programs will focus on reducing conflict in the workplace, on identifying and eliminating root causes of labor disputes, on building knowledge of the contents of labor contracts, and on improving the effectiveness of grievance-arbitration procedures to resolve labor disputes.

In order to resolve and expedite employee complaints at the lowest possible level, the REDRESS program (Resolve Employee Disputes, Reach Equitable Solutions Swiftly), developed as an alternative to the traditional Equal Employment Opportunity (EEO) process, will be deployed and made available to all Performance Cluster employees. Under REDRESS, an employee who has alleged discrimination may elect to have his or her case mediated by an impartial mediator within two weeks of the initial request. Mediation has proven to be a fast and effective process to resolve complaints by eliminating the investigation and processing costs of formal complaints. If the case is not resolved, the employee may return to the EEO process to file a formal complaint.

The Postal Service will continue its focus on strengthening the linkage between education and training and the key performance goals. Tactics include building performance through the acquisition of competencies, developing learning plans and using business measures as indicators of success.

To assess the proficiencies of employees, two measurement systems have been put in place. The Mystery Caller program will conduct employee surveys in the areas of technical knowledge, consistency and helpfulness. The Gallup Organization will summarize customer responses to surveys relating to technical knowledge, consistency, helpfulness and facility appearance. These data will provide a basis to identify training needs by assessing areas for improvement and for the calculation of a business mail entry unit proficiency index score.

The Postal Service has taken a leadership role in protecting employee safety and health. Starting in FY 1999, the Postal Service has been working closely with the Occupational Safety and Health Administration (OSHA) as federal agency safety and health programs and

regulations are implemented. The OSHA enforcement activities will have significant operational, labor relations and economic impact. There will be continued strong emphasis on the establishment and maintenance of a comprehensive safety and health program that includes training and education, workplace inspections, safety engineering, joint labor/management safety and health committee activities, and thorough accident investigation, reporting and analysis to identify trends and appropriate prevention and control measures. Low accident and injury statistics have always been in line with Postal Service corporate goals to reinforce employee commitment, customer satisfaction and revenue generation. The key supporting programs create line management accountability, rely on expertise found in the medical community and work with the Inspection Service to address cases of fraud and abuse in workers' compensation.

The Postal Service calculates its Lost Workday Injury Frequency per 200,000 work-hours using the same industry-wide accepted criteria as most other large organizations. The goal of ensuring a safe work environment will be measured in part by achieving a target of 1.90 for this indicator.

The office of Workplace Environment Improvement (WEI) was created in September 1998 to reflect management's commitment to improving the postal work environment and bringing focus to the emphasis on "people issues." WEI activities include the Employee Assistance Program, violence prevention and crisis management activities, and identification and propagation of indicators, measures, and initiatives for workplace environment improvement. Key tasks for the WEI office for fiscal years 1999 and 2000 are the following:

- Integrate and oversee threat assessment and crisis management activities;

- Integrate, assess, and communicate employee feedback and other workplace environment information;

- Catalogue, assess, and support replication of a broad array of workplace improvement initiatives and practices;

- Identify or develop and deploy measures of results and indicators of progress; and

- Communicate progress in improving the workplace environment throughout the Postal Service and recognize successes.

The Postal Service's Employee Assistance Program (EAP) provides free, voluntary, confidential, in-person counseling services to employees and family members by master's-level counselors housed in or near local Postal Service facilities. Counselors are available 24 hours a day, seven days a week, in convenient locations and assist employees and family members with a variety of difficulties that affect their lives and their work, including emotional, financial, legal, chemical dependency, marital and family problems.

The EAP provides consultation to managers and supervisors regarding not only individual workers, but also the work setting within which they function. The EAP intervenes when appropriate through preventive efforts, such as manager coaching and educational seminars on communication and stress management; ameliorative efforts, such as conflict resolution sessions and organizational interventions; and restorative actions, such as debriefings after a critical incident (e.g., suicide, domestic violence at work, armed robbery, accidental death).

In FY 1999, over 36,000 employees and their family members received counseling from the EAP. EAP staff also responded to critical incidents and provided assistance to

employees after these incidents. Health and wellness seminars on topics ranging from stress management to elder care to substance abuse were provided to employees. The Postal Service EAP was publicly recognized three times during FY 1999 by the *EAP Digest,* the National League of Postmasters, and the Employment Management Association of the Society for Human Resource Management for high quality and leadership in addressing employees' problems.

After the establishment of the WEI office, the Headquarters Threat Assessment Team and Systems Process Review Team were combined into one committee to integrate these related activities. Working closely with the Inspection Service and this committee, the WEI office has implemented a standardized protocol for the identification and resolution of potential "hot spots," Postal Service sites that may be susceptible to threatening or other undesirable behavior as a result of individual or systemic problems. In addition, the WEI office is assisting the field in ensuring that local threat assessment and crisis management teams are in place and that desired training is provided. Finally, WEI staff are also involved on an ongoing basis in communication with and response to potential threats and crisis incidents throughout the Postal Service to ensure prompt response, swift resolution, and maximum safety for employees.

The WEI office is also playing a pivotal role in increasing the effectiveness with which data from the Voice of the Employee opinion survey and other workplace environment information are used. In addition to providing technical assistance to the field in interpreting and responding to these data, the WEI office disseminates quarterly summary reports which provide data on key survey items and other indicators such as grievances, arbitrations, EEO complaints, and recognition dollars. WEI staff serve as internal consultants on WEI efforts throughout the country, with an emphasis on increasing the efficiency and effectiveness of these efforts, particularly with regard to the use of outside consultants. Also, the WEI office is propagating information throughout the Postal Service regarding internal and external resources for addressing workplace environment issues, including local and national initiatives and outside sources that have been shown to improve workplace relationships and climate. Finally, the WEI office will continue to deliver national messaging and other communications in FY 2000 to ensure that the initial business case for improving the workplace is known and accepted.

Pursuant to a Memorandum of Understanding negotiated with the American Postal Workers' Union (APWU), AFL-CIO, for the 1998-2000 National Agreement, the Postal Service and the APWU have jointly selected a vendor to begin providing a dependent care resource and referral service to EAS and APWU employees in several sites in FY 2000, with an option of providing such services to EAS and APWU employees nationally in FY 2001. The service allows employees to get assistance in locating dependent and elder care resources via an 800 telephone number and an interactive web site.

To achieve maximum corporate success, the Postal Service will continue to develop and implement strategies and objectives to promote a positive work environment that energizes high-quality people, acknowledges and values everyone, and enables all employees to perform at their highest potential. The Diversity Business Plan, developed in 1998 and issued in 1999, lists four principal objectives (and supporting tactics) that are being implemented over a five-year period — in partnership with other organizational functions — to attain Postal Service diversity goals. The continued focus of these objectives is to communicate the diversity message; to develop and promote recruitment, retention, and promotion practices to capture the unique contributions that everyone has to offer; to create a work

environment free from discrimination and sexual harassment; and to establish and maintain a strong, competitive and diverse supplier base.

The Postal Service has completed the 23 diversity improvement initiatives resulting from the 1996 study commissioned by the Board of Governors, and will continue to review the progress of these initiatives as well as the new initiatives added for FY 2000 and beyond. These initiatives include organization-wide communication of the corporate diversity policy statement; developing a process to review/evaluate the results of diversity as part of the merit evaluation process; increased focus on under-represented groups in the employee recruitment process; implementing Career Development Tracks and Career Management Programs to promote entrance of under-represented groups; creating a quarterly diversity overview report/update with workplace environment indicators; developing/ implementing one hour of mandatory sexual harassment training for craft employees and two hours for EAS employees; completing the implementation of the job applicant database and establishing a system to track applicants at various phases of the recruitment process; developing a process to continuously evaluate the effectiveness of recruitment by performance clusters; and determining why employees leave the Postal Service. In addition, the Postal Service's Supplier Diversity Program will be expanded to include the following: training of local buying personnel; improving and expanding the Supplier Diversity quarterly reports to monitor performance against the plan; identifying best practices and expanding to other areas; collection of data for measuring the success of the program over time; and improving subcontractor participation to include more women and minorities.

Career development opportunities for supervisor and management employees in levels EAS-18 and above are the focus of the Career Development Tracks program, which has been developed to prepare employees to meet the Postal Service's future need for postal managers. Critical requirements and requisite competencies for various management positions have been identified to assess the readiness levels of employees and to design assignments that will help them develop necessary competencies in preparation for higher-level positions. Planned activities that will help to narrow the gap between what the employee can already do and the skills and competencies needed for future work requirements will be outlined in individual learning plans.

NEW INDICATOR DEVELOPMENT

For FY 2000, development efforts include new indicators to assess labor relations performance, EEO program performance, safety program effectiveness, and the fairness and inclusiveness of the workplace environment.

VOICE OF THE BUSINESS: FINANCIAL PERFORMANCE

PERFORMANCE GOALS, INDICATORS AND TARGETS

The financial performance goals for the Voice of the Business are presented below. Where data are available, a three-year history of performance baselines for the VOB indicators is provided in Appendix D.

TABLE 2-5. VOICE OF THE BUSINESS PERFORMANCE GOALS

THE GOAL: Generate financial performance that assures the commercial viability of the Postal Service as a service provider in a changing, competitive market place; and generate cash flow to finance high-yield investments for the future while providing competitively-priced products and services.
PERFORMANCE GOAL 1: Improve overall business performance.
PERFORMANCE GOAL 2: Generate net income.
PERFORMANCE GOAL 3: Control costs by achieving productivity gains.
PERFORMANCE GOAL 4: Keep price increases at or below the rate of inflation.
PERFORMANCE GOAL 5: Restore original equity.

PERFORMANCE GOAL 1: Improve overall business performance. For FY 2000, the Postal Service will:

- Achieve positive indexed economic value added (EVA).

- Achieve a capital commitment budget of $4 billion.

PERFORMANCE GOAL 2: Generate net income. For FY 2000, the Postal Service will:

- Achieve an overall net income of $100 million.

PERFORMANCE GOAL 3: Control costs by achieving productivity gains. For FY 2000, the Postal Service will:

- Achieve a Total Factor Productivity (a measure of total resource usage efficiency, including capital) gain of 3.1 percent.

- Achieve a labor productivity (a measure of labor resource usage efficiency) gain of 3.1 percent.

PERFORMANCE GOAL 4: Keep price increases at or below the rate of inflation. For FY 2000, the Postal Service will:

- Maintain current rates.[10]

PERFORMANCE GOAL 5: Restore original equity. For FY 2000, the Postal Service will:

- Restore a portion of original equity by achieving an average net income over the current rate cycle that approximates the provision for recovery of prior years' losses included in current postage rates.

The Voice of the Business goals drive performance to the bottom line. The essence of the customer value strategy described above is a focus on growth. During FY 2000, most revenue is expected to come from core business lines that are in place today. To grow the business, the Postal Service intends to build business activities for advertising mail, expedited

---

[10] The modest rate increase (one cent on the First-Class stamp) originally planned for late FY 1998 was instead implemented on January 10, 1999. The rate increase averaged 2.9% compared to inflation of 9.3% since rates were last increased on January 1, 1995.

and parcel delivery and international services. At the same time, the Postal Service will defend its threatened core businesses such as remittance mail, and create new products and services that can respond to changing customer requirements.

While the initial focus of the financial goals is on generating net income through volume growth, this growth must be accompanied by efforts to manage costs. Major investments to improve productivity also focus on achieving enhanced net-income performance.

There is also a need to ensure that this net income is based on fundamentally sound and improving postal economics. To track gains in productivity, Total Factor Productivity (TFP), which takes into account all factors of production, and a less complex labor productivity measure will be used. These measures track the relationship between Postal Service outputs — mail volume and servicing an expanding delivery network — and resource inputs of labor, materials, and capital investments. It is not unusual for TFP and labor productivity to fluctuate from one year to another, but over the long run a successful organization will achieve positive growth in productivity. The Postal Service's objective is to improve TFP over time while maintaining a balance with service improvements necessary to achieve customer satisfaction and maintain a competitive position in the marketplace. Expenditures to enhance service may occasionally cause a short-term decline in the growth of TFP, since Postal Service TFP does not currently include a measure of service quality.

Two other economic parameters are tracked by the financial performance goals — the price of postage and the restoration of the original equity of the Postal Service. In future years, small, periodic price increases may be needed even with exceptional cost reduction success and productivity gains. Based on discussions with customers on the Five-Year Strategic Plan, small, predictable increases below the rate of inflation are clearly preferred if increases are determined to be necessary.

New Indicator Development

In FY 1999, the Postal Service produced quarterly costs and revenues by product, using data from the Cost and Revenue Analysis system. In FY 2000, these reports will continue to be used by senior management to assess potential trends by product.

CustomerPerfect!: Managing the Postal Service

As described in its September 1997 Five-Year Strategic Plan, the Postal Service uses a management system that is based on the criteria of the Malcolm Baldrige National Quality Award — *CustomerPerfect!.* Consistent with the principle of excellence through continuous improvement, the performance of the management system itself — and opportunities for improvement — are subjects of ongoing review. Planned improvements to the overall management system and to each of its four component phases — Establish, Deploy, Implement, and Review- are described in the next sections.

Improving the Management System: A Baldrige Assessment

In FY 1998, the Postal Service undertook a full assessment of its management system, using as a benchmark the Malcolm Baldrige Quality Award criteria. This review was conducted with the assistance of outside experts who had experience as examiners for the Baldrige Award or for similar state quality awards. The assessment included a written summary of the Postal Service's management system, organized as an "application" for the Baldrige Award. The assessment documented the national approaches to addressing the core categories of the Baldrige Award, and also included data on the business results attained by the Postal Service in fiscal years 1995 through 1997.

The written assessment was reviewed by a team of outside examiners. Following an initial review, this team of outside examiners, assisted by Postal Service managers and quality specialists, conducted site visits at headquarters, all ten area offices, ten Performance Clusters and several other field sites. Over 1,000 postal employees were interviewed during the course of the site visits. Following the site visits, the outside examiners facilitated a series of meetings in which the Postal Service officers received feedback on the Baldrige assessment and then identified five key opportunities for improvement. Those five major improvement priorities and associated improvement projects ("outcomes" in Baldrige terminology) are discussed below.

- **People.** Communication and relationships with employees and the bargaining units that represent them will be improved. Key to achievement of this objective will be ensuring that frontline supervisors know how to work with and lead employees in a constructive, nonconfrontational manner.

- **Human Resource Strategy.** The human resource implications of the strategic business objectives will be defined, and human resource plans will be developed accordingly. Key to this objective will be listening to employees and effectively incorporating human resource capabilities and objectives into the planning process, thereby ensuring that the Voice of the Employee is indeed the employee's voice.

- **Process Management.** Core processes will be standardized across all operations, making sure to leverage those approaches that are most effective in helping to meet performance objectives. Key to succeeding with this improvement priority will be strengthening the management of network-critical processes, establishing organization-wide standards, and promoting field-level understanding of process control and metrics.

- **Comparative Data.** A strategy will be developed for identifying, collecting, and using comparative data to evaluate performance. Key to meeting this objective will be establishing a national approach to benchmarking, understanding what criteria should be used for selecting sources of comparative data, and building these measures into the management cycle.

- **Alignment of Direction.** The identity of the Postal Service will be affirmed to ensure that there is no ambiguity of purpose or direction. Key to this will be resolving the tension between the Postal Service's charge as a public service and its role as a competitive businesslike entity. To address the alignment of direction finding, senior management engaged in an in-depth review of the following areas during FY 1999: the Postal Service's statutory responsibilities and the changing regulatory environment faced by other postal administrations and other regulated industries; emerging complementary and substitution technology; changing customer expectations; the changing competitive environment; and the implications of these changes for Postal Service people, operations, and performance management.

During FY 1999, 39 project teams were formed to respond to the findings of the Baldrige assessment (see Appendix B for a listing of these projects). Multi-year project plans have been developed for each outcome and are being monitored by a team of officers that meets regularly to guide the continued development of the management system.

ESTABLISH: VERIFIABLE PERFORMANCE IMPROVEMENT GOALS

The Establish phase benefited from the output of the alignment of direction effort described above, which resulted in a clarification of the Postal Service's understanding of the future environment and its role in it. As a result, the goals and subgoals were reviewed and updated by senior management, under the leadership of the Postmaster General, with the advice of the Board of Governors.

Improvements in the process also resulted from the use of additional data on customer requirements and the external environment from marketing plans and a Business Environmental Assessment. These data were useful in specifying new performance targets under the Voice of the Customer. In addition, data from a new Voice of the Employee survey and from the Baldrige assessment itself were used in updating and revising the VOE goals and subgoals.

DEPLOY: RESOURCES NEEDED TO MEET GOALS

The Deploy process continued to be refined during FY 1999, based on the experience of the preceding year. In preparation for determining FY 2000 resource allocation priorities, the guidelines for identifying resources needed to achieve targets were updated and standardized. In addition, a more systematic effort to involve Performance Cluster as well as area managers in performance/resource tradeoff discussions was introduced, in order to increase the level of involvement of field managers and to improve the quality of the plans developed during Deploy. Further progress in driving Deploy discussions deeper into the organization is expected during the FY 2000 management cycle.

IMPLEMENT: LAUNCHING PROGRAMS AND ACTIVITIES

Improved linkage between performance goals and major programs. The ten major projects listed in Table 1-3 are specifically designed to help achieve one or more of the FY 2000 *CustomerPerfect!* performance goals. The purpose of each of these programs and their associated performance goals, performance measures and status are briefly described below.

- **Priority Mail Processing Centers** — This dedicated delivery network will contribute to the performance goal of improving customer satisfaction (VOC) by providing consistent and reliable Priority Mail service. This is the key to plans for growing this product line, enhancing service offerings and redefining the product. Ten centers are now in service.

- **Mail Transport Equipment Service Centers** — Mail Transport Equipment (MTE) moves the mail and must always be available. To facilitate this goal, in the summer of 1997 the Board of Governors approved implementation of a network of 22 contractor-operated service centers designed to receive used MTE, as well as inspect, sort, repair, and store it. MTE will be redistributed on dedicated, scheduled transportation to internal and external users. This network will free mail processing managers from MTE responsibilities and allow them to focus on processing the mail. At the same time, customers will consistently receive high-quality mail transport equipment, thus supporting the VOC Ease of Use and Customer Satisfaction goals. All MTE sites will be operational by the end of December 1999.

- **Recurring Mail Transport Equipment** — Mail Transport Equipment (MTE) is a national function providing standard rolling containers, sacks, trays, sleeves and pallets to contain the mail for processing, transporting, and delivering. MTE increases operational efficiency, decreases incidence of damage to mail, and reduces injuries to

employees. MTE enables over 197 billion pieces of mail to be processed and delivered annually (FY 1998). It contributes to Voice of the Employee goals by reducing injuries and supports Voice of the Business goals with centralized benefits from the economies realized by large purchases of MTE to satisfy customer-driven needs and mail processing requirements.

- **Corporate Advertising** — This program of paid mass communication, directed to consumers, drives their awareness, consideration, and choice of postal products and services. It unifies messaging under a corporate umbrella, and focuses on the mission of growing revenue by providing both business-specific messaging as well as support across business lines. By increasing revenue and the preference for the Postal Service as a delivery provider of choice, it contributes to net income (VOB).

- **Corporate Call Management** — This program supports the Ease of Use performance goal (VOC) by improving customer service through easy access to Postal Service products and services. It provides a reliable, convenient way for customers to obtain information concerning their mailing needs. The Postal Service monitors the number of calls received by customer call centers and the length of time customers wait for responses. During FY 1999, Call Center service was expanded to two centers.

- **Stamp Manufacturing** — This ongoing program will provide sufficient stamp and postal stationery volumes and formats to meet customer demand for both mail use and philatelic purposes. It supports the improvement of net income from new products and services (VOB) by providing postage stamps and postal stationery for sale. Sale of stamps and postal stationery are tracked through the Postal Service Financial Reporting system. Stamp retention for philatelic purposes is tracked through independent quarterly surveys of approximately 60,000 households conducted by the Home Tracking Institute.

- **Associate Office Infrastructure (AOI)** — This program provides Postal Service facilities with modern computer cabling and electrical systems. It includes local area network wiring, workstation outlets, a patch panel, a server, a printer, and an uninterrupted power supply. The AOI program will enable critical business applications to be deployed in the field. Two critical applications that are driving the schedule are Point of Service One and Delivery Confirmation. The AOI program provides the necessary infrastructure to enable other applications and programs to increase revenues, decrease costs and improve the delivery of existing products. AOI was deployed to 7,600 post offices by the end of FY 1999.

- **Delivery Confirmation** — This program supports the Provide Timely Delivery performance goal (VOC) by providing diagnostic information to improve service for all Priority Mail and Standard B mail. Improved service will result in additional business, thereby supporting the VOB Net Income performance goal.

- **Point of Service One** — This program supports a variety of performance goals. Under VOC, it supports the Provide Accurate Service and Ease of Use performance goals by delivering an improved level of service to customers. This new system will also Enhance the Workplace Environment and enable employees to Demonstrate Required Proficiencies (VOE) in the performance of their duties. As a result, increases in Net Income (VOB) will be achieved as customers realize the benefits of the new system. Point of Service One is scheduled to be deployed to approximately 8,000 retail units by the end of FY 2000.

- **Expedited Supplies** — This program provides centralized printing of all the shipping supplies (boxes, envelopes, labels, tape, stickers and tags) used for expedited services, Priority Mail and Express Mail. The program is comprised of four different packaging options: Standard, Specialized, Customized, and Personalized. It supports the Ease of Use and Provide Timely Delivery goals (VOC) as well as contributing to net income (VOB).

Program management. To bring a focused discipline to program management, the Postal Service has launched a formal management improvement effort. The initiative includes concept, methodology and procedural guidance for managing Postal Service programs through five major development phases: concept, planning, design, implementation, and review and close-out. Following the five-phase process will ensure that programs support the strategic goals of the Postal Service, make the best use of its resources, provide for integration of activities and establish accountability.

Each program is formally reviewed and evaluated periodically as to its particular program plan, with emphasis on the following:

- Business management accomplishments and issues.

- Program cost performance, including both capital and expense funds and earned value.

- Technical status, including significant accomplishments, problems and corrective actions.

- Schedule status, including major milestones, critical path activities, and other key activities.

As of August 1999, 14 programs had been identified to participate in this process; more programs will be added over time. Six of these programs are described above: Priority Mail Processing Centers, Mail Transport Equipment Service Centers, Corporate Call Management, Associate Office Infrastructure, Delivery Confirmation, and Point of Service One. The remaining eight programs are:

- **Year 2000:**[11] This program supports the Provide Timely Delivery performance goal (VOC) by ensuring that critical Postal Service systems continue without error or interruption (caused by date data) to and through the year 2000. The priority effort is to complete remediation on those systems for which a failure would have a severe or critical impact on the movement of mail. In addition to managing the completion of remediation in FY 1999, considerable effort will also be expended to test the overall readiness of the Postal Service for the new millennium, and for contingency planning to minimize the impact of any internal or external failure on business operations. The FY 2000 emphasis will be on readiness planning and testing and establishing and executing a recovery management infrastructure to address Year 2000 failure situations as they arise from internal or external causes.

- **International Service Centers:** This program involves establishment of a network of processing and distribution plants dedicated to the handling of international and military mail. Approved by the Board of Governors in August 1997, the plants in

---

[11] See Appendix C for additional details on this program.

New York, Dallas, Miami, and Los Angeles will be online by the end of 1999. During the first quarter of FY 2000, the Dulles (Virginia) and Chicago plants will begin operations, and the three remaining plants will be completed by the end of that fiscal year. This network will contribute to the VOC performance goal by increasing the consistency of international and military mail service performance and to the VOB goal by providing the flexibility to contain costs and adapt to product changes designed to increase revenue.

- **Tray Management System:** This automated material handling technology program designed to reduce allied labor expense and improve operational efficiency while providing real-time work-in-process information. This is an engineering solution to improve productivity and efficiency. This program is in its design phase.

- **PostOffice Online/USPS.com:** This program was originally intended to provide a separate Internet channel for small and home offices, along with specific applications to serve those customers. The channel design is currently in market test and will be incorporated into the USPS.com web site. The development of applications for shipping solutions and hybrid mail choices for this customer group is proceeding. The applications are in the design phase.

- **Delivery Redesign:** This program was developed to improve the accuracy and consistency of mail delivery for postal customers, placing responsibility and accountability of day-to-day delivery with the carriers. Testing is continuing with sites transitioning to the most successful concepts. A focus on supervisory activities has been built into this redesign program. The program is in its design phase.

- **Mailer Enterprise Integration:** This program is designed to integrate customer and Postal Service processes, including documentation, transportation management, acceptance and verification, payment, and information access using advanced information technology. The program is in its design phase.

- **Automated Flat Sorting Machine 100:** The goal of this program is to deploy state-of-the-art flat sorting equipment to handle additional capacity needs and replace the current model 881 flat sorters. An initial purchase of 175 units will increase capacity requirements at the processing and distribution centers. A second purchase will replace the existing fleet of model 881 flat sorting machines. The program is in the implementation phase.

- **Robotics:** A number of programs are planned or underway to replace current labor-intensive tray-handling operations with robotic applications. One hundred new robots will be deployed in FY 2000 to load letter trays and flats tubs onto dispatch containers. A more advanced robot design, capable of unloading letter trays and flat tubs, will undergo competitive testing for possible deployment as early as the summer of 2000 to opening units and container breakdown operations in Processing and Distribution Centers, Bulk Mail Centers, and Air Mail Centers with automated equipment. Research and development efforts are planned for the Mail Cartridge system, which will automate feeding and sweeping on the Delivery Bar Code Sorter during two-pass operations, and automated guided vehicles. These programs cover all five phases.

Process management. During FY 1999, the effort to implement process management throughout the Postal Service was enhanced through the development of an enterprise map.

The enterprise map categorizes all of the activities of the Postal Service into 22 major processes, encompassing all core and enabling processes. Within each category, the Postal Service will identify separate high-level cross-functional processes that document all of the activities needed to carry out the Postal Service's mission. Both the core processes needed to provide mail delivery services and enabling processes such as hiring, training, buying, maintaining equipment, budgeting, and payroll will be identified and documented.

Process "owners" responsible for the end-to-end performance of these cross-functional processes will be identified and given responsibility for completing the documentation and measurement of the processes. Performance measures for each process will be identified and developed over time, and efforts to improve or redesign processes will be measured in terms of improvements in these performance measures.

In the field, the Postal Service is building on the lessons learned in the early phases of deployment of process management and is using process management to develop standard approaches to collecting, processing, transporting, and delivering the mail that will be used in all postal facilities. These updated standard operating procedures will be supported by a system of indicators or measures that track performance in terms of accuracy, productivity, cost and cycle time of individual operations. This system of indicators will enable the Postal Service to continuously improve the quality and cost of delivering services to the American public, and will thereby provide better value in meeting the fundamental mission.

Communication of strategic goals throughout the organization. During FY 1999, additional methods for communicating the Postal Service's strategic goals to employees at all levels of the organization were explored. A pilot communications program designed around the concept of "taking strategy to the shop room floor" was conducted in the Baltimore District. In this project, frontline supervisors gave weekly presentations on Strategic Plan goals and objectives to their respective employees that were designed to increase awareness of the specific local performance targets. In another effort, focus group discussions and individual in-depth interviews were conducted with employees to assess awareness of the Strategic Plan, and to learn how employees interpret the plan and their role in implementing its goals. Also during FY 1999, all Postal Service employees were scheduled to attend a training session titled "Strategic Focus '99," which explains the strategic goals and performance metrics defined by the five-year targets. These efforts to improve the effectiveness of employee messaging relating to the importance of planning and performance will continue during FY 2000.

REVIEW: COMPARISON OF ACTUAL RESULTS WITH GOALS

The business review process was further refined during FY 1999 to reinforce the renewed strategic direction created during the Establish process. In addition to maintaining a focus on achieving the targets included in the FY 1999 Annual Performance Plan, reviews at all levels deal with the key programs and change initiatives, such as the *CustomerPerfect!* plans to respond to the Baldrige assessment and the major investment programs that are critical to the continued success of the Postal Service. The increased use of process management in the field will provide a context for more effective use of data in reviews. Process management allows line managers to separate the day-to-day variation inherent in any process from the relatively infrequent events that signal a fundamental change in process performance.

RESOURCES AND PROGRAMS: ACHIEVING THE GOALS

Generally, resource allocation strategies reflect plans to meet the needs of the three Voices — Customer, Employee and Business. The Postal Service will improve service by pro-

viding better operating performance and more effective management of customer contact operations. Employee effectiveness will be improved by focusing new resources on training, complement deployment, and efforts to enhance the workplace. The organization will work to aggressively control costs through a combination of productivity improvements, efforts to make best use of key human resources, and unit cost management of all resources.

CAPITAL PLAN

The FY 2000 portion of the Postal Service's five-year capital plan totals $4.0 billion. A one-year capital plan provides the organization the flexibility to reevaluate the affordability of future capital projects based on financial performance as well as the capital implications of changes in the Postal Service's strategic direction.

As shown in Table 2-6, significant capital investments of $4.0 billion in FY 1999 and $4.0 billion in FY 2000 are scheduled that will influence future operating results. To be more aggressive in cost management, technology will be used for automation and modernization projects affecting distribution, processing, and delivery areas. The capital investment plan also includes programs that will improve the quality of customer services and provide greater opportunity for revenue growth. Concurrently, infrastructure investments are necessary to support workload growth, repair or replace aging assets and provide the necessary information technology network. This investment strategy will achieve continuous, year-to-year performance improvements in all three of the Voice goal areas.

TABLE 2-6. CAPITAL INVESTMENT PLAN PROJECTIONS: FY 1999-2000 PROJECTED COMMITMENTS BY PROGRAM CATEGORIES *($ Millions)*

CATEGORY	1999	2000
Automation/Mechanization Equipment	1,398	1,468
Facilities	1,467	1,443
Vehicles	292	352
Retail Equipment	201	245
Postal Support Equipment	641	488
Total Capital Commitments	3,999	3,996

AUTOMOTIVE/MECHANIZATION EQUIPMENT

Equipment technology will continue to be a key enabling element for the achievement of the Postal Service's FY 2000 performance targets. In FY 2000, a total of $1.5 billion, or 37 percent of the total plan, will be used for automation and mechanization investments to enhance previously deployed technologies and expand the technology base available to support postal operations. While most of these investments are directly targeted at the VOB goal of controlling costs, many will also contribute to improvements in the VOC service quality and ease of use goals.

Letter distribution. The optical character reading, barcode sorting, and remote encoding technology required to automate letter piece distribution is now deployed. By the end of FY 2000, a number of key programs will have been implemented to further enhance the capability of this equipment and expand the capacity of the system. The following letter distribution programs are included in the FY 2000 Capital Plan:

- **Delivery Barcode Sorter Input Output Subsystem (DIOSS)** — A universal modification kit that will be added to Delivery Barcode Sorters (DBCSs). The DIOSS kits will add any combination of Input Subsystem, Output Subsystem, or Optical Character Reader capabilities to an existing DBCS machine. One of the main advantages of DIOSS is that it provides all three capabilities in a small footprint with up to 300 sorting bins, depending on the DBCS configuration.

- **Delivery Barcode Sorter Additional Capacity** — This includes the purchase of a mix of machines and modules which include 165 DBCSs, 167 DBCSs retrofitted with input subsystem (ISS) and/or output subsystem (OSS) capabilities, 155 OSS kits, 117 ISS kits, and 633 stacker modules for retrofit on existing DBCS machines. This program increases automated letter sorting capacity.

- **Remote Computer Reading (RCR) Script Recognition** — This program improves the capability of the RCR to read and resolve handwritten-addressed mail. Currently, the machines can read 55 percent of all handwritten addresses. The goal of this program is to increase the read rate to 75 percent of all handwritten addresses while maintaining existing throughput and error rate standards.

Flats distribution. Flats distribution technology will be improved and capacity will be expanded during FY 2000 and beyond. A major portion of the flats program involves the Automated Flat Sorting Machine 100, discussed above in the Program Management section.

Parcel distribution. Over the next two years, parcel sorting capacity will be expanded and investments made to improve the performance of the technology. The following programs are included in the capital plan:

- **Parcel Sorter Singulator Scan Induction System** — This system will be installed on all Bulk Mail Center parcel sorters and will singulate, scan for barcodes, and sort parcels. These functions will be completed automatically for all barcoded parcels.

- **Small Parcel and Bundle Sorter (SPBS)** — This is an ongoing program to organize, mechanize and semi-automate the sortation of small parcels, bundles and Priority Mail into as many as 100 separations.

Material handling. The emphasis in this area will be on the robotics and automated tray- handling programs (discussed above in the Program Management section) designed to offset growing material handling labor costs. FY 2000 capital funding also includes the following programs:

- **Automatic Airline Assignment System** — This program is designed to eliminate the current storage and manual identification of Air Contract Transportation Tags. This system reads a barcoded distribution label, weighs the mail, assigns transportation and places a machine-readable dispatch and routing barcode label on the sleeved and strapped letter mail tray or flat tub.

- **Field Material Handling Systems** — These are continuing field projects of less than $5 million that support the Bulk Mail, Processing and Distribution, and Air Mail Centers material handling systems. These projects also address the safety concerns of the Postal Service and will improve efficiency by increasing productivity while providing for more efficient operations and better service.

FACILITIES

Facility investments are necessary to satisfy capacity requirements dictated by the growth of population, mail volume and delivery points. There is also an aging inventory of facilities that require repair or replacement to sustain efficient service. Properly maintaining existing assets extends their useful lives, enhances working conditions for employees, and provides a business-friendly environment for customers. The facilities commitment plan for FY 2000 is $1.4 billion, which accounts for 36 percent of the total capital plan, and includes funding for the following items:

- Over 300 projects for expansion and new construction of small post offices

- More than 1,100 repair and alteration projects

- Major mail processing facilities

- Bulk Mail Center Facility Expansion Program

VEHICLES

The primary purpose of the vehicle capital program is to replace the mail transport and delivery fleet as it ages. Newer vehicles provide better driver safety, higher fuel efficiency, greater reliability, and lower maintenance costs. The FY 2000 capital funding plan for vehicles is $352 million, which represents about nine percent of the plan. The vehicle category includes the following programs:

- **Mixed Delivery and Collection Vehicles** — This program covers the purchase of 5,000 two-ton vehicles. A portion of the purchase will replace existing vehicles that have reached maximum service life and the balance will provide for new service requirements.

- **Alternative Fuels** — This program provides funds to comply with Environmental Protection Agency requirements through the conversion of existing equipment to alternate or bi-fuel capabilities. This program will meet federal regulations implemented pursuant to environmental laws.

RETAIL EQUIPMENT

Capital investments for lobby, window, and self-service retail equipment enhance customer service by expanding the availability and convenience of products and services. Commitments of $245 million are planned for FY 2000, which include the following programs:

- **Self-Service Vending Equipment** — This program provides for the purchase of 5,000 new vending machines, all of which have debit and credit payment capability except the single stamp machine. These machines are being purchased to bridge the gap in the field and to provide vending equipment to replace approximately 2,000 obsolete or non-repairable units.

- **Postal One** — This program will provide the foundation for the electronic business partnership through automated verification, acceptance and payment processing of all classifications of mail received from business bulk mailers.

POSTAL SUPPORT EQUIPMENT

Postal support investments provide the day-to-day equipment necessary to:

- Help employees perform their work more efficiently.

- Support an information technology infrastructure that enhances management effectiveness.

- Transmit voice, data, and images across the nationwide telecommunications network.

- Maintain facility and equipment assets.

Postal support equipment investment of $488 million represents 12 percent of the total capital plan for FY 2000. This plan includes funding for the Associate Office Infrastructure programs (described above in the Program Management section) as well as the telephone system and postal information technology programs described below:

- **Telephone Equipment Installation** — This activity will provide centralized telecommunications equipment, telecommunications service, and consulting services to the entire Postal Service. The activity will be accomplished by using Postal Service employees, local contracts and national contractors. Postal Service employees will provide administrative support to customers, and the local and national contractors will perform the actual implementations. With the continuing use of technology, this program will ensure that all field offices and Headquarters' units have modern, reliable telephone systems.

- **Performance Cluster Infrastructure** — This program will provide service computers at each Performance Cluster which will be used as platforms for the Time and Attendance Collection System.

- Internet Access — Postal Service customers increasingly expect to conduct business transactions and obtain information about postal products via the Internet and personal computers, with no crowds, no lines, and 7-day-a-week, 24-hour-a-day access.

VERIFICATION AND VALIDATION: ENSURING ACCURACY

A vast array of data and resources is available to aid in measuring success in meeting the various performance goals. Many of the data systems utilized, especially in the area of finance, have a series of internal controls imbedded within their procedures to safeguard the integrity of the results. Also, the General Accounting Office, the Office of Inspector General, the Inspection Service, and certified public accounting firms retained by the Postal Service conduct independent ongoing reviews and audits of Postal Service data and render periodic reports on their findings and recommendations.

SYSTEMS AND PROCESSES FOR THE PERFORMANCE GOALS

Table 2-7 below lists selected General Accounting Office, Office of Inspector General, and Inspection Service studies and reports that have been conducted over the past 18 months as part of ongoing efforts to verify and validate data related to the *CustomerPerfect!* performance goals.

The specific Postal Service systems and processes planned for verification and validation of the various *CustomerPerfect!* performance goals are listed below. Many of the surveys cited are conducted by independent firms retained by the Postal Service to ensure the integrity of the results.

TABLE 2-7. SELECTED DATA VERIFICATION AND VALIDATION REPORTS FOR PERFORMANCE GOALS

PERFORMANCE GOAL	VERIFICATION /VALIDATION OF DATA SOURCE/REPORT	
	SOURCE	REPORT TITLE
Provide timely delivery (VOC)	Office of Inspector General	• Survey Results of the South Florida District EXFC Test Mail (#DS-LA-99-001 12/23/98) • Survey Results of the Atlanta District EXFC Text Mail (#DS-LA-99-002 03/26/99)
	Inspection Service	• National Audit on External First Class Collections (#029-1217904-PA(1) 04/30/98) • Priority Mail (#022-1244541-PA(1) 03/17/99)
Accurate Service (VOC)	Office of Inspector General	• Performance Audit of the National Change of Address System (#DS-AR-99-001 03/31/99)
Improve workplace relations by building leadership skills and behaviors (VOE)	Office of Inspector General	• Effectiveness of Grievance-Arbitration Procedures (#LM-MA-99-002 03/26/99)
Improve safety, security and well-being (VOE)	Office of Inspector General	• Accident Reporting Process (#DS-MA-99-002 03/31/99) • Review of USPS Personnel Security Program — Process for Updating Sensitive Clearances (#OV-MA-99-001 03/31/99)
	Inspection Service	• Management of OWCP and Related Programs (#044-1224398-PA(1) 08/10/98) • Injury Compensation and Safety Programs (#044-1233190PA(1) 08/11/98) • MVS Drivers Drug Screening (#022-1257106-SI(2) 10/23/98)
Improve understanding of employee issues and concerns (VOE)	Office of Inspector General	• Status of Management Actions Taken for USPS Inspection Service Reports on Labor Management (#PA-MA-98-004 09/30/98) • Supervisory Knowledge of Union Contracts (#LM-MA-98-001 09/30/98)
Ensure an inclusive and fair environment with opportunities for all employees (VOE)	General Accounting Office	• USPS: Diversity in High-Level EAS Positions (#GAO/GGD-99-86 02/26/99) • USPS: Information About Selected Promotions of Women and Minorities to EAS Management-Level Positions (#GAO/GGD-98-200R)
Improve overall VOB performance (VOB)	General Accounting Office	• USPS: Development and Inventory of New Products (#GAO/GGD-99-15 11/24/98)
	Office of Inspector General	• Marketing New Products (#RG-MA-98-002 09/30/98) • Review of Revenue Forecasting — International Business Unit (#RG-MA-98-005 09/30/98) • Corporate Treasury Cash Management (#FR-AR-99-005 03/18/99) • Review of USPS Economic Analysis and Forecasting (#RG-AR-99-001 03/31/99)
	Inspection Service	• National Audit on Postal Retail Stores (#020-1220283-PA(1) 09/15/98)
Controlling costs by achieving productivity gains (VOB)	General Accounting Office	• USPS: Progress Made in Implementing Automated Letter Sequencing, but Some Issues Remain (#GAO/GGD-98-73 04/17/98)
	Office of Inspector General	• Total Factor Productivity (#PA-AR-98-002 09/30/98)

- **Provide Timely Delivery (VOC)** — Mail service performance results for overnight, 2-day, and 3-day First-Class Mail and Priority Mail are measured by the Transit Time Measurement System (TTMS), which is independently run by the accounting firm of PricewaterhouseCoopers. Within TTMS, First-Class Mail results are measured by EXFC and Priority Mail service performance is measured by the Priority End-To-End (PETE) system. These systems measure the mail piece from the time it enters the system until it is received in a home or small business and provide quarterly results of delivery performance. For Ad Mail, the Advance System, administered by postal personnel, provides data on delivery timeliness and area coverage.

- **Consistency (VOC)** — An index of scored responses to residential and business Customer Satisfaction Surveys (CSM-R and CSM-B) questions pertaining to the consistency of mail delivery, pickup, and collection times will be used. The Gallup Organization conducts these surveys, including data verification and data quality checks.

- **Accurate Service (VOC)** — PricewaterhouseCoopers will modify its existing transit time measurement surveys to include questions for business and residential customers on the number of pieces received that were for the wrong address or were damaged. The contractor will utilize a quality-checking process to assure the accuracy of this data

- **Ease of Use (VOC)** — Customer Satisfaction Measurement surveys containing questions relating to how easy it to do business with the Postal Service are conducted by the Gallup Organization. Gallup verifies, tabulates, and performs quality checks on the data and then forwards the data to the Postal Service. Responses to selected questions are combined at the Postal Service to develop an Ease of Use Index.

- **Improve understanding of employee issues and concerns (VOE)** — A survey will be administered quarterly to a sample of employees to obtain information to enhance the workplace environment and improve relationships with employees. An independent organization will conduct these surveys, including distribution, scoring and compilation of the results.

- **Ensure that each and every employee is given the knowledge, tools, training and encouragement to successfully meet the expectations for their positions (VOE):**

  - **Training in prescribed curriculum** — Two systems, the Local Employee Training System and the National Training Database maintained by the Human Resources Technology Management office, are used to record training hours and compare the data with training targets for both EAS and craft employees.

  - **Bulk mail acceptance unit/process proficiency** — To assess employee proficiencies, the Opinion Research organization has been retained, and a Mystery Caller program is used to conduct employee surveys in the areas of technical knowledge, consistency and helpfulness. The Gallup Organization summarizes customer responses to surveys relating to technical knowledge, consistency, helpfulness and facility appearance. These data will provide a basis to assess areas for improvement and for the development of a bulk mail acceptance unit proficiency index baseline.

- **Improve employees' safety, security, and well-being (VOE)** — The Postal Service calculates its Lost Workday Injury Frequency per 200,000 workhours using the same industry-wide accepted criteria as most other large organizations. The National Accident Reporting System collects accident and injury data which are accumulated and available on Performance Cluster, Area, and National bases.

- **Improve overall business unit financial performance (VOB):**

  - **Capital commitment achievement** — Financial records maintained by the Postal Service provide data relating to capital commitments. These records are subject to review by an independent certified public accounting firm as well as the OIG and the Inspection Service.

  - **Economic Value Added (EVA)** — An integral part of the EVA process is an incentive payment system that rewards employees for improved financial performance, customer service, and employee commitment. It encourages employees to control expenses, reduce waste, improve products, and improve employee effectiveness. Operating results that form the basis for determining EVA payouts are subject to the internal controls of the various data systems. The calculations are reviewed by a certified public accounting firm during its annual financial audit of the Postal Service. Also, the Board of Governors has retained its own independent consultant to review and advise on EVA issues.

  - **Net income/contribution** — Financial performance results are summarized by the Postal Service and reviewed by an independent certified public accounting firm. Also, during the year the OIG and Inspection Service conduct various financial audits and internal control reviews to assess the integrity of financial records.

- **Control costs by achieving productivity gains (VOB)** — The FY 2000 budget reflects the productivity benefits resulting from controlling costs through decreasing rework and cycle time, process management, and the substitution of capital for labor. The data sources used to calculate Total Factor Productivity (TFP) and Labor Productivity are the same as those used to prepare the financial statements. Accordingly, the data are subject to normal internal controls and accuracy checks by the General Accounting Office, the Office of Inspector General, the Inspection Service, and the certified public accounting firm engaged to audit the financial statements. Actual operating results achieved within established budget parameters would indicate that these cost reductions have been achieved.

- **Keep price increases at or below inflation (VOB)** — New postage rates originally planned for late FY 1998 were approved for implementation in January 1999. The last general rate increase occurred in January 1995, so a comparison of the postage increases to the rate of inflation for this time period would verify achievement of this target.

- **Restore original equity (VOB)** — FY 1999 financial performance results summarized by the Postal Service will be reviewed by an independent certified public accounting firm. Also, during the year the OIG and Inspection Service will conduct various financial audits and internal control reviews to assess the integrity of financial records.

GENERAL ACCOUNTING OFFICE

The U.S. General Accounting Office (GAO) is the investigative arm of the Congress and conducts studies and reviews of Postal Service operations and programs. Requests for studies are received typically from the House and Senate oversight committees and occasionally from individual Representatives and Senators. Studies may focus on activities unique to the Postal Service, such as an evaluation of mail processing automation, or they may involve government-wide issues, such as Year 2000 computer readiness. GAO conducts its studies of the Postal Service in conformance with its "Government Auditing Standards" which prescribes certain data verification and validation procedures in order to assure a high level of confidence in the data sources upon which GAO bases its findings and recommendations. GAO's studies provide the Congress and the public with information, evaluations, analyses and recommendations for improvement concerning Postal Service programs, activities and initiatives. At any one time GAO may have eight to ten studies in progress that involve the Postal Service. The following list gives a sample of some of the more significant study subjects that GAO has investigated within the past several months:

- Breast Cancer Research Stamp Costs

- Employee Diversity

- Labor/Management Relations

- International Postal Agreements/Universal Postal Union

- National Change of Address Program

- New Products Development

- Bulk Mail Acceptance Controls

- Five-Year Strategic Plan/Annual Performance Plan

- Service Performance Measurement

- Year 2000 Computing Crisis

- Delivery Point Sequencing

- Access to Customers' Mailboxes

- Centralized Uniform Procurement

- Global Package Link

- Postal Service Reform

- Post Office Closures

OFFICE OF INSPECTOR GENERAL

The Office of Inspector General (OIG) is an independent entity within the Postal Service, headed by the Inspector General who reports directly to the Governors of the Postal Service. The OIG's mission is to perform audits and investigations that promote economy and efficiency in the programs and operations of the Postal Service. The OIG is also responsible for detecting and preventing fraud, waste, abuse, and mismanagement of Postal Service programs. Requests for audits and studies may be received from the Board of Governors, from the House and Senate oversight committees, from individual members of Congress, or from Postal Service senior management.

The OIG may, at its discretion, initiate audits or investigations based on information received from the public or from employees. The OIG conducts its audits of the Postal Service in conformance with GAO's "Government Auditing Standards." The OIG's audits, investigations and consulting services provide a means for keeping the Board of Governors, postal management and the Congress fully informed about problems and deficiencies relating to the administration of Postal Service programs and operations. At any one time the OIG may have 50-60 studies or investigations in progress. The following list gives a sample of some of the subjects that the OIG has investigated within the past year:

- Economic Analysis and Forecasting

- Ethics Program — Conflicts of Interest

- Labor and Management Workplace Disputes

- Accident Reporting Process

- National Change of Address Program

- Priority Mail Processing Center Network

- Wireless Communication Equipment and Service

- *Dinero Seguro* Program

- EEO Complaint Processing

- Year 2000 Initiative (various issues)

- Subsidization of International Mail Services

- Corporate Treasury Cash Management

- Compliance with Government Performance and Results Act

- Supplier Diversity and Minority Contracting

- New Products Marketing

- Workplace Violence

- Congressional Mail Billing

- Workers' Compensation Case Management

- Total Factor Productivity

- Bank Secrecy Act

- International Mail Revenue Forecasting

- Breast Cancer Research Stamp

INSPECTION SERVICE

Verification and validation of data is accomplished through specific independent reviews and audits designed to protect assets and revenue, ensure efficient and economical mail delivery, and safeguard the integrity of the postal system. Inspection Service audits are based on risk assessments and management input. These financial, contract, and performance audits provide analyses, appraisals, recommendations, counsel, and information concerning the various activities of the Postal Service.

Financial Installation audits support the OIG's Opinion Audit Program and include testing of internal control systems and verification of financial transactions at selected field sites. Field Installations are selected for audit through random sampling, stratified according to projected revenue. The audit results, including revenue deficiencies, are reported to postal management for corrective action. For FY 1999 year-to-date, 200 units have received financial audits, with the following results:

- Projected revenue of audited units: $12.1 billion

- Percentage of audited revenue compared to total revenue: 19 percent

- Identified revenue deficiencies: $1.3 million

For FY 2000, the Inspection Service will audit 291 units representing 20 percent of projected revenues.

Contract audits provide independent audit attention to costs associated with transportation, equipment, services, supplies, and facility contracts. The Inspection Service performs pre-award and post-award contract audits on a request basis with oversight by the OIG. These audits assist Purchasing and the General Counsel in the negotiation, award, and settlement of contracts. Audit emphasis will focus on identification of unsupported costs and funds that can be put to better use. For FY 1999 year-to-date, contract audits produced the following results:

- Contract amount audited: $280 million

- Funds identified for better use: $65 million

- Unsupported costs: $8.3 million

- Recovered costs: $46.5 million

For FY 2000, contract audit requests will go through the OIG.

Performance audits evaluate risks associated with postal operations, programs, and systems. Audit emphasis focuses on improving operational efficiency with identification of cost savings. Performance audit topics are identified annually through a risk assessment process. The goal of these audits is to minimize the amount of risk facing the Postal Service. For FY 1999 year-to-date, 43 area and local performance audits have been conducted that resulted in proposed savings of $45.5 million.

OTHER INITIATIVES

The OIG and Inspection Service Strategic Plans, FY 1998-2002, were designed to parallel the Postal Service's Strategic Plan by providing a structure to support efforts to address the Voices of the Customer, the Employee, and the Business. In addition to these ongoing efforts, one of the ongoing *CustomerPerfect!* improvement tasks (see Appendix B) is intended to develop standardized data recording and reporting procedures. Implementation of these procedures should help to reduce data inaccuracies caused by the use of different methods for collecting performance data across plants and tours.

CHALLENGES AND EXTERNAL FACTORS: THE PERMANENCE OF UNCERTAINTY

As was the case for FY 1999, changes in customer requirements, the evolution of new technologies, opportunities for growth in labor/management relationships, and ongoing efforts to structure legislative reform are continuing challenges which seem likely to affect the ability of the Postal Service to achieve its goals for FY 2000. These challenges and external factors are similar to those identified in the organization's Five-Year Strategic Plan, which described the need to change the basic Postal Service model. Indeed, in many ways these challenges are as reflective of the Postal Service's environment as they are of its internal activities.

Customer expectations and requirements, for example, will continue to be as changeable as the Postal Service's customers themselves. In the coming fiscal year, customers are expected to continue to press the Postal Service to accelerate its application of technology to enhance the processing and delivery of their mail. Concurrently, customers will also continue to demand aggressive management of costs. For its part, the Postal Service will focus its efforts on delivering the optimum value to each customer in FY 2000.

In the realm of technology, as well, change will be a constant. Electronic alternatives, from e-mail to applications as yet unannounced, will continue to affect mail volumes. In particular, First-Class correspondence, advertising, and remittances will be subject to diversion. Even as mail volume continues to grow, the mix of products within that volume will not remain constant, and the Postal Service will find it necessary to adjust its operations accordingly.

The 1998 labor negotiations mark the starting point of the path that the Postal Service and its workforce will pursue in the next few years. The journey seeks both employee and customer satisfaction, but those goals will not be reached without positive change.

Finally, efforts will continue to develop legislative reforms. There is growing agreement regarding the need for change in the structure established by the Postal Reorganization Act almost 30 years ago. In that time, the mission of the Postal Service has not changed — nor should it. The Postal Service is still charged with providing a fundamental, universal public service to the nation, at fair and affordable prices. But, in order to fulfill that role in an increasingly complex and competitive environment, it is becoming obvious that the Postal Service needs the ability to price its offerings in response to rapidly-changing market conditions, and to offer products and services with characteristics that compare favorably with changing alternatives. Postal services around the world are being refitted for more rigorous competition in a global marketplace. The course of legislative reform that will shape the U.S. Postal Service for the 21st century remains a work in progress.

APPENDICES

APPENDIX A:
CHANGES TO GOALS AND SUBGOALS

VOC GOALS AND SUBGOALS

FY 1999 GOAL	FY 2000 GOAL	EXPLANATION FOR CHANGE
Improve customer satisfaction by offering superior customer value in each market and segment that we target.	Earn customers' business in a marketplace where they have choices by providing them with world-class quality at competitive prices.	Changed to strengthen message that customers have choices and that we need to be competitive with the best in the world.

FY 1999 SUBGOALS	FY 2000 SUBGOALS	EXPLANATION FOR CHANGE
Timely delivery	Timely delivery	No change
Consistency	Consistency	No change
Accurate service	Accurate Service	No change
Ease of use	Ease of use	No change
NA	Explore customer needs segmentation as an alternative to product segmentation and determine impact on indicators for FY 2000	Recognize importance of accurate segmentation
NA	Develop "Best Value" criteria based on Customer Value Analysis	Use a formal quantitative assessment of customer needs
NA	Explore concept of customer loyalty for competitive products	Increase repeat usage of products

VOE GOALS AND SUBGOALS

FY 1999 GOAL	FY 2000 GOAL	EXPLANATION FOR CHANGE
Improve employees' and organizational effectiveness by having the right people in the right place with the right tools at the right time to consistently provide superior customer value and ensure commercial viability in a dynamic environment.	Foster an inclusive and welcoming workplace consistent with Postal Service values of fairness, opportunity, safety, and security: where everyone is given the knowledge, tools, training, and encouragement to be successful; and where everyone is recognized for and takes pride in their participation in customers' and the Postal Service's success.	Existing goal perceived to reflect the voice of management more than the voice of the employee. Proposed goal raises the overall workplace environment from a subgoal to the goal, and is success oriented.

FY 1999 SUBGOALS	FY 2000 SUBGOALS	EXPLANATION FOR CHANGE
Enhance workplace environment to improve relationships with employees.	Improve workplace relations by building leadership skills and behaviors.	Proposed subgoal focuses specifically on leadership's role in improving the workplace environment.
Ensure that employees demonstrate in the workplace the required proficiencies for their assigned work.	Ensure that each and every employee is given the knowledge, tools, training, and encouragement to successfully meet the expectations for their positions.	Proposed subgoal focuses on the support that employees need to be successful. Responds to VOE survey that indicates only 20% of respondents believe poor performance is dealt with appropriately.
Anticipate complement needs and deploy people to meet organizational requirements.	Drop	Old Subgoal appears to be more of a driver of VOC and VOB success, rather than a subgoal for workplace environment
Ensure a safe work environment.	Improve employee safety, security, and well-being.	Subgoal reworded to add security and well-being to the previous focus on safety.
	Improve understanding of employee issues and concerns	Recognizes the need to continue to work to turn VOE into a true Voice of the Employee
	Ensure an inclusive and fair environment with opportunities for all employees	Recognizes need to continue to deal with changing needs and expectations of a diverse work force.

VOB Goals and Subgoals

FY 1999 Goal	FY 2000 Goal	Explanation for Change
Improve financial performance to assure our commercial viability as a service provider for the worldwide movement of messages, merchandise and money.	Generate financial performance that assures our commercial viability as a service provider in a changing competitive market place and generate cash flow to finance high yield investments for the future while providing competitively priced products and services.	Expanded to provide clarity on total business requirements.

FY 1999 Subgoals	FY 2000 Subgoals	Explanation for Change
Net income from existing or enhanced products and services.	Net income.	Proposed subgoal is comprehensive in that it includes all products and services, whether they are existing, enhanced or new.
Net income from new products and services.	Drop	This is not a separate subgoal because it has been integrated into the preceding subgoal.
Controlling costs through re-engineering, decreasing rework and cycle time, process management, and substituting capital for labor.	Drop	This subgoal is redundant because it is included in the next subgoal covering all productivity gains.
Controlling costs by achieving productivity gains.	Controlling costs by achieving productivity gains.	No change.
Use pricing as a competitive tool while keeping rate increases below rate of inflation.	Keep rate increases below rate of inflation.	Editorial change.
Achieving positive equity.	Restoring original equity.	Revised subgoal is more closely aligned with the requirement of BOG Resolution 95-9

APPENDIX B: *CustomerPerfect!* IMPROVEMENT PROJECTS

The 39 improvement projects ("outcomes" in Baldrige terminology) associated with the major improvement priorities identified in a recent Baldrige assessment of the Postal Service's management system are listed below.

People. The following tasks for improving communication and relationships with employees and the bargaining units have been identified:

- Promote a better working relationship with unions and management associations.

- Engage employee organizations into planning process.

- Establish a systematic approach in conjunction with operating functions to proactively engage employee organizations in dialogue about new processes and programs that support performance improvement.

- Develop a new data-tracking system to assist management in identifying, analyzing and developing solutions to disputes in the workforce.

Human Resource Strategy. Seven key outcomes that will address the human resource strategy finding have been identified:

- Develop and implement strategies to build effective leadership skills and behaviors throughout the organization.

- Incorporate human resource capabilities into the planning process.

- Develop strategies and action plans to address key human resources-related challenges.

- Ensure that employees demonstrate the knowledge, skills, and abilities required to achieve the principal accountabilities of their position.

- Provide a more integrated approach to the development of training products, to include providing more adequate initial training.

- Improve workforce diversity through leadership, responsibility, and management accountability.

- Enhance the workplace through initiatives focused on improving employees' sense of safety and well-being.

Process Management. The Postal Service is pursuing the following ten process management outcomes:

- Develop a process documentation and measurement infrastructure for standard core processes.

- Document an Enterprise Map for key core and enabling processes.

- Identify, document, and prioritize enabling processes, measure them, and develop systematic tracking and reporting methods.

- Develop a systematic process for national roll-out of customer enhancements via the account management process.

- Establish target performance levels for internal process indicators.

- Establish in-process control measures for real-time process control.

- Establish mechanism to share learnings from quality improvement examples and replication efforts, and avoid duplicative efforts.

- Provide a process and procedures for delivering non-financial in-process indicators to the process owners and operators.

- Standardize the data recording and reporting for current and future indicators.

- Migrate from external collection of data to using data generated directly from within the process.

Comparative Data. The Postal Service's strategy for identifying, collecting, and using comparative data with which to evaluate performance will be supported by the following three planning outcomes:

- Extend efforts to compare customer satisfaction levels with competitors and other service providers.

- Establish a systematic Postal Service-wide benchmarking approach to determine needs and priorities and sources for comparative data.

- Foster the use of external comparative information when establishing targets for use in improving company performance.

Alignment of Direction/Other. The following projects are planned to respond to changes in the external environment and to other process improvement opportunities mentioned in the Baldrige assessment:

- Affirm the identity of the Postal Service relative to a public service or a private business like entity.

- Develop action plans to address defined strategies.

- Establish targets for key societal responsibilities.

- Incorporate supplier and partner capabilities in the planning process.

- Incorporate customer requirements in the planning process.

- Incorporate information from the external marketplace into the planning process.

- Develop strategies to mitigate risk in the Correspondence and Transactions market.

- Develop a more focused approach for segmenting customers.

- Develop an effective process for documenting customer requirements and assessing the relative importance of key products and service features.

- Develop an approach for determining and deploying customer contact requirements to improve performance.

- Improve the extent and rigor with which customer service issues are tracked, recorded, analyzed and resolved.

- Increase use of electronic information for comparative analysis of related data to provide greater insight into business performance.

- Expand deployment of Supplier and Management Tracking process to include key suppliers.

- Establish plan to aggressively address on-time performance of air transportation carriers.

- Develop and implement an approach for deploying catchball (resource allocation priorities) to the Performance Cluster level.

APPENDIX C: YEAR 2000 PROGRAM DESCRIPTION

GOALS

The Postal Service's Year 2000 program supports the performance goals of Providing Timely Delivery (VOC), Ensuring a Safe Work Environment (VOE), and supporting Improved Business Unit Financial Performance (VOB), by sustaining the operations of the Postal Service to and through the change to the Year 2000 to enable the continuous delivery of mail to businesses, governments, non-profit organizations, and the American public that depend on these services in their daily lives. Particular emphasis is being placed on sustaining the ability to collect, process, and deliver mail; pay employees and suppliers; collect revenue; and protect the safety and well-being of employees.

Resources have been identified and project plans developed against which to measure success. The initial priority effort was the remediation of those systems for which a failure would have a severe or critical impact on the Postal Service's ability to sustain operations. Remediation of those systems is complete. Current priority efforts include Business Continuity Planning and Recovery Management Planning. Through Business Continuity Planning, both critical business processes and the potential Year 2000-related disruptions that could affect them have been identified, and plans have been developed that will permit operating through manageable disruptions. Recovery Management provides the processes and tools to preempt, identify, report, track, and resolve Year 2000-related disruptions that may occur.

INDICATORS/TARGETS

The Year 2000 initiative is being managed to specific goals, indicators, and targets. The following indicators and targets have been developed for the Business Continuity Planning and Recovery Management Planning elements of the program.

BUSINESS CONTINUITY PLANNING

INDICATOR	TARGET DATE	STATUS
Confirm Component Mapping to Mission Critical Processes and National Level Plan Verified	March 31, 1999	Complete
Phase 1 Initial Scenario Development	April 30, 1999	Complete
Inventory of Mission Critical Business Partners Identified for Business Partner Integration Activities	April 30, 1999	Complete
Business Continuity Plans Drafted by Headquarters Business Areas	May 31, 1999	Complete
Business Continuity Plans Enhanced/Customized by Field Offices	July 15, 1999	Complete
Business Continuity Plans Reviewed and Approved by Steering Committee	July 31, 1999	Complete
First Round Training and Drills Complete	August 31, 1999	Complete
Phase 2 Dress Rehearsal Complete	November 30, 1999	Ongoing

RECOVERY MANAGEMENT PLANNING

INDICATOR	TARGET DATE	STATUS
Gather and Inventory Existing Recovery Capabilities	May 31, 1999	Complete
Partial Recovery Management Solution Implemented	August 31, 1999	Complete
Complete Recovery Management Solution Developed	October 29, 1999	Ongoing
Implement Complete Recovery Management Solution	December 31, 1999	Ongoing

APPENDIX D:
BASELINE PERFORMANCE DATA

The table below presents the available historical baseline performance data for the *CustomerPerfect!* subgoal indicators for FY 1997, FY 1998 and FY 1999 year-to-date (Quarter 3).

SUBGOAL	INDICATOR	FY 1997	FY 1998	FY 1999 (AS OF Q3)
Provide Timely Delivery (VOC).	First-Class Mail on-time[1]			
	EXFC overnight	92%	93%	94%
	EXFC 2/3-day	79%	87%	87%
Ease of Use (VOC)	Composite Ease of Use Index	604	643	656
	Residential Ease of Use Index	644	667	657
	Premier Accounts Ease of Use Index	590	625	647
	Business Ease of Use Index	650	681	685
	National Accounts Ease of Use Index	532	599	635
Ensure that each and every employee is given the knowledge, tools, training, and encouragement to successfully meet the expectations for their positions (VOE).	Training in prescribed curriculum			
	EAS 15 and over	97%	97%	NA
	EAS 14 and below	97%	97%	NA
	Craft units	100%	100%	NA
	Proficiency Indices			
	Bulk mail acceptance unit/process	NA	NA	410
Improve employee safety, security, and well-being (VOE)	Lost workday injuries per 200,000 work hours	2.11	1.84	1.82
Improve overall VOB performance (VOB).	Indexed EVA	827	512	1074
	Capital commitment	$3.2 billion	$3.9 billion	NA
Generate net income (VOB).	Net income	$1,264 million	$550 million	$974 million
Control costs by achieving productivity gains (VOB).	Total Factor Productivity	1.0%	−1.1%	−1.3%
	Labor Productivity	1.6%	1.2%	0.6%

[1]   Quarter 4 results for FY 1997 and FY 1998, Quarter 3 results for FY 1999

APPENDIX E: REVIEW OF UNIVERSAL SERVICE IN OTHER POSTAL ADMINISTRATIONS

To better understand how other postal administrations have dealt with deregulation and commercialization and their effect on universal service obligations, the Postal Service has examined universal service in European and other postal markets. Many of these posts have undergone some form of deregulation and/or commercialization. Most have had to reexamine universal service in their countries, and some have found it necessary to alter how they fulfill their universal service obligations.

In Europe, member countries will be required to abide by universal service commitments as stated in the European Union Postal Directive. The Postal Directive establishes a set of minimum standards to be provided at affordable prices for all persons regardless of geographic location in a given country. The Postal Directive requires each country to achieve the following:

- Provide mail service on every working day, and not fewer than five days a week;

- Collect and deliver to every home or premises, or to "appropriate installations" with the approval of the national regulatory authority;

- Operate facilities to handle registered or insured items, to process postal items up to 2 kg (4.4 pounds), and to process packages up to 20 kg (44.1 pounds);

- Deliver mail items from other member states weighing up to 20 kg (44.1 pounds);

- Develop affordable prices for universal services that must be accessible to all users; and

- Make prices transparent, non-discriminatory and geared to costs.

The European Union also has set quality of service standards for universal service for intra-community cross-border services and national services. These standards are measured as the time taken for mail to be routed, starting from the date of deposit to the date of delivery. The current standards described in the Postal Directive are date of deposit plus three days for 85 percent of items, and date of deposit plus five days for 97 percent of items.

The experience of the European Union and others suggests that postal universal service can be categorized into two broad areas: retail service and delivery service. Relevant aspects of retail service, based on the studies undertaken in Europe and other locales, are how accessible the posts are to their customers including hours of operation, how many post offices exist and how far they are from their customers. Many posts have attempted to reduce their number of post offices, and have been required to balance the potential cost savings of closing the offices along with their universal service obligations. Relevant aspects of delivery service are the frequency with which the posts' customers receive mail, if mail is delivered to their doors and if they are required to come to a postal facility, and cost of delivery and how those costs are covered.

RETAIL SERVICE

Argentina. Currently in Argentina there is no regulation on the number of post offices that the post must maintain. The post's policy in recent years has been to attempt to reduce its direct network through the use of franchising agreements and agencies. However, even with the post trying to reduce its direct network, the number of postal facilities has grown. The Argentine post maintained 6,991 post offices in 1996, up from 5,676 in 1995 and 5,187 in 1994.

Australia. Conservative, rural-based politicians have opposed the government's recommendations for opening up the post in July 2000 for fear of losing the ability to maintain universal service. In 1998, the government put in place new performance measures that included the maintenance of at least 10,000 street mail boxes and the maintenance of 4,000 postal outlets, of which 50 percent, or a minimum of 2,500, must be in rural or remote areas.

Between 1989 and 1994, the number of Australia Post's retail outlets declined under the Labour government by 227, but the current government has increased the total number of outlets by 151 since 1995. Sixty-five percent of all postal outlets are privately owned and operated by licensees. The post maintains a variety of delivery options for its customers including corporate outlets, licensed post offices, street mail boxes and other centers. Australia Post had 8.210 million delivery points in FY 1997. The post reduces post office box rates for rural and remote customers who do not have easy access to delivery.

Canada. Canada's universal service mandate is a general guiding principle that requires Canada Post to provide a "customary postal service at fair and reasonable rates" and to maintain "a standard of service that will meet the needs of the people of Canada and that is similar with respect to communities of the same size." Canada Post maintains over 20,000 retail points of access, 80 percent of which are operated by private businesses. Eighty percent of Canadians in communities of 10,000 people or less answered in a poll that "when a post office closes, the community it used to serve loses some of its identity and distinctiveness." Closing rural post offices is perceived as a potential difficulty in maintaining the universal service commitment.

Germany. While Deutsche Post has attempted to maintain easy access to the postal network, it has also closed some retail offices. To counter these closures, the post opened offices in locations such as retail locations and at kiosks which have been less costly to maintain. Deutsche Post supports postal agencies in rural areas and currently maintains at least 5,000 postal agencies in local shops. Their location is based on the principle that there should be one postal retail outlet within a radius of 2,000 meters in densely-populated residential areas. These outlets can either be run by Deutsche Post or by postal agencies. In 1997, there were approximately 4,500 postal agencies in Germany. Deutsche Post is obligated to provide universal service at affordable rates, to present status reports every two years and to aim for continuous quality and performance improvements.

Netherlands. In the Netherlands, the universal service statute related to retail access requires that there be a place of service within a radius of five kilometers of residential centers with more than 5,000 inhabitants. If the number of inhabitants exceeds 50,000, the Concessionaire further ensures that there is an extra place of service for every 50,000 inhabitants. In these cases, residential centers are defined as "continuous series of buildings within one municipality." In residential centers with more than 5,000 inhabitants, there must be a mail box within a radius of 500 meters for the tendering of suitable items. Outside residential centers, there must be at least one mailbox within a radius of 2,500 meters for the tendering of suitable postal items.

New Zealand. New Zealand Post is required to maintain a postal network of at least 240 post shops and a total of 880 post shops and post centres. The post currently maintains 308 post shops and 717 post centres. As shown below, access to the post is provided through several avenues for both business and residential customers. Over the past few years, the post has closed over 40 percent of the nation's post offices and contracted the function to private operators.

	1-4 Days	5 Days	6 Days	Total
Residential	0	4,136	1,151,017	1,155,153
Business	0	10,056	43,409	53,465
Private Box — Farmers	0	1,284	4,951	6,235
Private Box/Bag — Businesses and Individuals	250	23,379	150,590	174,219
County and community mailboxes	193	5,295	10,664	16,152
Rural Delivery	1,730	16,695	132,230	150,655
Total	2,173	60,845	1,492,861	1,555,879

Sweden. Sweden Post is required to maintain a nationwide counter service at uniform prices. The post receives compensation for operating counter services in locations that are not commercially justifiable. Sweden Post is not required to maintain a specific number of retail postal outlets and has the freedom to close outlets in remote areas. In 1994, the post maintained 1,773 post offices and contracted out 179 post offices. By 1996, the post maintained 1,177 offices and had contracted out about 640 post offices. Sweden Post may not close access or distribution points servicing more than one user unless an acceptable alternative is provided, or closure is approved by the national Post and Telecom Agency.

United Kingdom. Eighty percent of the people in the United Kingdom live within a half-mile of a post office, and an estimated 99.5 percent within two miles of a post office. About half of the population, some 28 million customers, visit one of the Post Office's 19,400 retail outlets every week.

In summary, the requirements of the retail aspect of universal service have been met by European and other foreign posts in various ways, all of which have served to guarantee access to the general population. Shared locations, geographic directives, private contracting and other operational initiatives have been employed by these posts to meet the mandates of their governments and elected officials.

DELIVERY SERVICE

The frequency and availability of mail delivery is a significant part of universal service. The United States currently has mail delivery six days a week while some foreign posts deliver five days a week. With the onset of deregulation and loss of monopoly protection, many foreign posts have reduced the number of days that they deliver and have required some remote customers to come to a post office to get mail. As competition increases for the posts, the cost of delivering mail to every household will likely become an issue in meeting universal service requirements.

Argentina. In 1994 and 1995, the post delivered mail to 80 percent of Argentina's population at home. In 1996, the population that received home mail delivery rose to 93 percent.

In 1996, three percent of the population remained without postal delivery. Decree Number 265/97, passed in 1997, outlined the service obligations and privileges of the franchise that runs the Argentina post, Correo Argentino. The decree allows for the possibility of compensation from the National Treasury if the franchisee is obligated under the universal service requirements to deliver to a region where it is not financially viable. For letters weighing up to 20 grams, telegrams of up to 20 words and money orders up to ARS 1,000, the franchisee is required to provide universal service but receives the exclusive right to deliver these items.

Australia. Australia Post uses an Urban Base Rate (UBR) to determine frequency of delivery. UBR is the cost of providing delivery to an average number of delivery points, five days a week. Rural and remote delivery is based on Australia Post's calculation of cost of delivery and destination against UBR. In Australia, delivery requirements vary by region. Ninety-four percent of Australia Post's customers receive mail five days a week and six percent receive between one and four deliveries per week. In 1996, 85 percent of the Australian population had home mail delivery. Fifteen percent of the population went to a postal establishment to collect their mail.

The Universal Service Obligation (USO) and Community Service Obligation (CSO) defined under the 1989 Australia Post Postal Act govern Australia Post. The USO requires Australia Post to provide universal letter service to all Australians which is "equitable, reasonably accessible and reasonably meets community needs." The USO also requires a uniform price for standard letter carriage within Australia. The USO is funded by an internal cross subsidy by Australia Post. The standard letter rate covers the costs.

The CSOs are similar to the USOs in ensuring that all Australians have the same access to the delivery of standard letter mail at a standard price, regardless of the distance and the actual cost. The CSOs are currently funded by the cross-subsidization of letter service and indirect funding by the government through reduced rates of return on Australia Post's assets. The post receives no subsidies towards the expenses of the CSOs.

The National Competition Committee recommended that CSOs continue to be funded by cross-subsidies between low and high cost households, with supplementary funding from the Commonwealth budget. This recommendation is under government review. The government controls CSO policy, but the post can decide how to comply with the policy regarding universal service.

Canada. Universal service is understood by Canada Post Corporation (CPC) to mean nondiscriminatory service. Under CPC's interpretation of universal service, some people in some communities may need to pick up mail at community mailboxes near their homes, while others may receive mail at their residences. CPC provides one delivery per day in urban areas, six days a week, and five deliveries per week in rural areas. Eighty-three percent of the population has mail delivered at home, while 17 percent of the population is required to pick up their mail at a postal establishment.

Germany. The German Regulatory Authority has the power to grant licenses to businesses that want to deliver mail. As of November 1998, 21 applications for nationwide delivery had been awarded. Independent, competitive contractors (including Deutsche Post) will continue to be required to request postal licenses from the Regulatory Authority. Universal service is required, with definition of service left to government.

The Regulatory Authority will have the power to approve or reject standard postal rates by the licensee with a dominant market position. A licensee with dominant market position will also be required to provide competitors downstream access. There will be a tax allocated to all postal providers to cover the costs of delivering universal service. Deutsche Post maintains blanket coverage of all postal services and daily deliveries to all households in towns and rural areas.

Netherlands. The main provisions of the Postal Act that guide the Netherlands post specify that TNT Post Group must transport postal items (letters and other addressed items up to certain maximum weights and sizes) for anyone throughout the Netherlands and to and from other countries, under uniform conditions. The post must also comply with general directives laid down by the Minister of Transport, Public Works and Water Management. TNT Post Group has a concession for the conveyance of letters weighing up to and including 500 grams. TNT Post Group has a statutory obligation to carry parcels weighing up to 1,000 grams at uniform rates and under the same terms and conditions for everyone in the country not served by private competition.

Dutch law defines specific mandatory services assigned to the postal administration. These services include: an obligation to carry all postal items up to 1,000 grams (22 pounds), including those from and to other countries; the assurance that public services will be offered on the same conditions and tariffs nationwide; minimum requirements regarding the density of post offices and boxes in urban and rural areas; next day delivery for domestic mail.

TNT Post Group also maintains the exclusive right to place mailboxes on public roads and to issue postage stamps depicting the king or bearing the word 'Nederland.' The post provides one delivery per day in urban areas, six days a week and six deliveries per week in rural areas. One hundred percent of the population has mail delivered at home.

New Zealand. New Zealand Post must continue to provide 95 percent of households with letter service six days a week; a total of 99.88 percent of households, five or six days a week; and the remainder, at least one to four days per week.

Sweden. Under the Swedish Postal Act, the government has the freedom to contract with any company in the market that is able to provide postal services. At present, Sweden Post is the only operator qualified to serve the entire country. Sweden Post is delegated by the government to provide universal postal service delivery in Sweden at least five days per week, once per day.

Sweden Post does not receive remuneration for providing universal service. The Postal Act defines the limits of universal service (letters up to 2 kg and parcels up to 20 kg), regulates issuing of stamps, and provides for the formation of a supervisory body, the National Swedish Post and Telecom Agency. Sweden Post's contract agreement with the Swedish government specifies provisions for universal service obligations including the maintenance of a national counter service, price caps, and compensation for Sweden Post's social commitments. Sweden Post is paid a premium for providing universal services to the elderly and the disabled living in remote areas.

Presently, Sweden Post delivers to 99 percent of all households in Sweden. The remaining one percent must come to a post office to receive their mail. Under their contract with the government, Sweden Post is bound to deliver to 99 percent of all Swedish households. CityMail, a private operator in Sweden, delivers to half its customers on Monday and Thursday and the other half on Tuesday and Friday, leaving Wednesday to handle undeliverable mail.

United Kingdom. The universal service mandate requires delivery to all households, and the monopoly covers all items under $1.63, or £1. Because of the rate of inflation, the Post Office's monopoly is in effect being reduced every year. One hundred percent of population has mail delivered at home. Ninety-five percent of the population lives within one mile of a post office. The post provides two deliveries a day in urban areas and six deliveries per week in rural areas.

In summary, the requirements of the delivery aspect of universal service have been met by European and other foreign posts in various ways, all of which have served to guarantee frequent delivery to the general population. Balancing household versus post office deliveries, changing delivery frequency and other network initiatives have been employed by these posts to meet the mandates of their governments and elected officials.

APPENDIX F: LINKING GOALS, STRATEGIES AND RESOURCES

In previous Annual Performance Plans, the ongoing efforts of the Postal Service to improve the linkages among its performance goals, program activities and budgetary resources have been documented. Since the publication of the FY 2000 Preliminary Plan in February 1999, the Postal Service has launched several efforts to improve these linkages: identification of high-priority FY 2000 goals, business operations planning, the FY 2000 Deploy process, and additional VOE initiatives. A summary of the current status of these efforts is presented below.

FY 2000 High-Priority Goals, Strategies and Resources

For FY 2000, Postal Service management has identified the five performance goals listed below as having a high priority. The high-priority indicators are also shown for each performance goal. The labels in parentheses are used as "shorthand" identifiers for the performance goals in the table that follows.

- Provide timely delivery (VOC1). Indicators: on-time performance for First-Class Mail overnight, First-Class Mail 2/3 day, and Priority Mail.

- Improve understanding of employee issues and concerns (VOE1). Indicator: VOE Survey Index.

- Improve employee safety, security and well-being (VOE2). Indicators: safety program score, lost workdays per 200,000 work hours due to injury.

- Generate net income (VOB1). Indicator: corporate net income.

- Improve overall VOB performance (VOB2). Indicator: Indexed EVA.

The specific indicators and targets for these performance goals are listed in Table 2-2 above. The table below links the various program strategies (and their resources) described in Chapter II with these high-priority goals. It should be noted that many of these programs are targeted at multiple performance goals; for purposes of constructing this table, only the two most relevant performance goals are listed for each program.

FY 2000 Program Strategies, Costs and Associated High-Priority Goals

Program Strategy	Capital ($ Millions)	Expense ($ Millions)	Associated High-Priority Goals
Priority Mail Processing Centers	1	492	VOC1
Mail Transport Equipment Service Centers	0	358	VOC1
Recurring Mail Transport Equipment	0	171	VOE2, VOB2
Corporate Advertising	0	150	VOB1
Corporate Call Management	26	144	VOC1
Stamp Manufacturing	1	147	VOB1
Associate Office Infrastructure	1	96	VOC1, VOB1
Delivery Confirmation Program	0	73	VOC1, VOB1
Point of Service One	219	85	VOB1
Expedited Supplies	0	81	VOC1, VOB1
Year 2000 Program	0	50	VOC1
International Service Centers	17	30	VOC1, VOB2
Tray Management System	0	4	VOB2
Post Office Online/USPS.com	2	8	VOB1
Delivery Redesign	0	3	VOC1
Mailer Enterprise Integration/Postal One	11	5	VOB2
Automated Flat Sorting Machine 100	400	1	VOB2
Robotics	85	4	VOB2

BUSINESS OPERATIONS PLANNING

In February 1999, a new planning initiative in the Postal Service's *CustomerPerfect!* Annual Management Cycle was launched — Business Operations Planning. The Business Operations Planning process will lead to a long-term integrated Business Operations Plan that supports the management processes used in setting corporate goals and allocating scarce resources. This process will be used for the first time in developing the FY 2001 goals, sub-goals, strategies, action plans and resources.

As documented more thoroughly in earlier Performance Plans,[12] the *CustomerPerfect!* Annual Management Cycle consists of four distinct phases of activities intended to reinforce short-term direction for the Postal Service and to build and sustain improved performance against the goals that are set:

- *Establish* goals, subgoals, indicators, and targets at the national level.

- *Deploy* resources to achieve goals, subgoals, indicators, and targets.

- *Implement* improvement actions.

- *Review* performance and adjust actions accordingly.

During a given annual cycle, these phases overlap, with implementation of the *current* (fiscal) year's objectives occurring simultaneously with the establishment of goals and deployment of resources for the *following* year, and review of the *previous* year's performance.

The new Business Operations Planning process precedes the Establish phase of the annual cycle. During business operations planning, a cross-functional committee of senior officers provides oversight on the development of functional strategic plans in marketing, operations, technology, human resources, labor relations, capital investment, and financial planning. This Business Operations Planning Committee also manages the preparation of an enterprise-wide Business Operations Plan that links the functional plans and sets an overall direction for strategic planning during the next year.

In June 1999, the Business Operations Planning Committee commissioned a supporting Coordinating Committee, a team of senior managers responsible for planning in their respective functional areas. The Coordinating Committee will ensure that the individual functional-level plans are integrated by creating the following planning "tools:"

- Use and listing of common assumptions in all functional-level plans.

- Listing of functional plan-specific assumptions.

- Use of an Input/Output Matrix, which shows the relationship of the inputs and outputs to and from each functional plan.

- Use of a Business Operations Planning Matrix, which relates the functional plans to each other and to the corporate goals and strategies.

---

[12] See the Appendix to the FY 1999 Annual Performance Plan, September 1998.

FY 2000 DEPLOY PROCESS

In the final FY 1999 Annual Performance Plan, incremental resources associated with the on-time performance goals were identified as a result of the completion of the FY 1999 Deploy process. No additional resource allocations were made during the FY 2000 Deploy process. The Postal Service anticipates meeting its FY 2000 service goals without additional resources beyond those originally budgeted for the coming fiscal year.

OTHER VOE INITIATIVES

The table below presents the specific FY 2000 VOE initiatives and measurement systems that relate to the linkage between the Postal Service's "human capital" and achievement of the corporate performance goals.

INITIATIVE	MEASUREMENT
Replenish leadership pool by tracking ALP and ASP graduates moving into targeted leadership positions.	• Percentage of positions filled by graduates • Success of participating employees (promotions, laterals, details, etc.) • Feedback from process users
More clearly define, through EVA programs, pay for performance to drive desired behaviors and results to accomplish corporate goals.	• Reduced lost workdays due to injury ratio • Develop index performance baseline for workplace environment
Establish arbitration win rate of 65%.	• Arbitration win rate • Data Tracking System (GATS2.0)

Leadership is a key ingredient in driving change. To meet future challenges, the Postal Service is developing a strong cadre of leaders at every level of the organization to backfill critical vacancies. The Postal Service is tracking Advanced Leadership Program (ALP) graduates moving into executive positions to assure that the talent is in place to replenish the leadership pool. Tracking the movement of key individuals will allow an improved assessment of the return on investment of training dollars, and keep leadership development programs aligned with current needs.

Two initiatives are being proposed as VOE indicators for the EVA variable pay program in FY 2000 to drive desired behaviors. The first initiative, the "VOE Survey Index," is being introduced to improve understanding of employee issues and concerns through an expanded VOE survey instrument which incorporates six VOE survey statements relating to recognition/rewards, and treatment by supervisor. The second initiative, "Safety Indicator" will address the commitment to improve employee safety, security and well-being by upgrading the emphasis on an improved safety environment and a reduction in lost workday injuries. A safety program score is proposed as a threshold for the VOE safety indicator. The safety program score is an overall program average score for a facility's safety and health program evaluation, and incorporates the dimensions of leadership and employee participation, hazard prevention and control, training, and workplace, accident, and record analysis.

With respect to the third initiative, the establishment of an arbitration denial rate of 65 percent will drive enhanced performance at various levels of the Postal Service. This goal will encourage managers to try to settle marginal cases at the early steps of the grievance procedure, and to prepare complete case files for those cases which should not be settled before the arbitration process. A new grievance tracking system (GATS2.0) will allow managers to assess activity throughout the grievance system, and to identify potential problems that can be addressed before grievances are filed.